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Daily Report

Latin America

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FBIS-LAT-96-105 *30 May 1996*

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Inter-American Affairs: Andean Drug Officials To Meet

PY2905181596 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2050 GMT 28 May 96

[FBIS Translated Text] Cochabamba, Bolivia, 28 May (AFP-NA) — Bolivian Foreign Minister Antonio Aranibar announced today that the officials responsible for fighting drug trafficking in the five countries of the Andean Community will meet in La Paz on 10 and 11 June to coordinate their efforts against the drug trade. Aranibar made this announcement at the end of the 15th Rio Group Foreign Ministers Meeting in this city.

Mexico was invited to the meeting as an observer, Aranibar said, adding that the decision was made at a separate meeting between the foreign ministers of Bolivia, Colombia, Ecuador, Peru, and Venezuela at the Patino Palace, where the Rio Group held its two day conference.

The meeting of the Andean "czars" in the drug fight was anticipated in March, during the Andean Community presidential summit in Trujillo, northern Peru, Aranibar said. The Bolivian foreign minister is exercising this subregional agreement and the Rio Group's pro-tempore secretariat.

Foreign Ministers Aranibar, Rodrigo Pardo of Colombia, Galo Leoro of Ecuador, Francisco Tudela of Peru, and Miguel Burelli Rivas of Venezuela held a session with their Mexican counterpart Jose Angel Gurria, who was invited because of his country's interest in participating in joint actions against drug trafficking.

The Bolivian minister also said that the Andean foreign ministers had decided to approve a protocol modifying the Andean Justice Tribunal, adding that the document will be signed by representatives of the five member countries in La Paz. The task was a recommendation of the Trujillo meeting.

The five members of the Andean Community also agreed to put Bolivia in charge of seeking an agreement with the EU to institutionalize the dialogue between both blocs.

The request will be made when the EU "troika" that is headed by Italy meets in Florence on 21 and 22 June.

An Indian proposal to maintain a fluid dialogue with the Andean Community on cooperation, commerce, and other matters was also accepted by the foreign ministers, who agreed to coordinate the matter.

Inter-American Affairs: Rio Group Views Americas Summit

PY2905183496 Madrid EFE in Spanish 1808 GMT 28 May 96

[FBIS Translated Excerpt] Cochabamba, 28 May (EFE) — The closing session of the 15th meeting of the foreign ministers of the Rio Group today reiterated firm rejection of the Helms-Burton law and a decision to prepare collective actions against it. [passage omitted on previously covered material]

The foreign ministers reviewed the drug enforcement strategy for the continent. It is being designed within the framework of the OAS, and envisages proposals to cut both supply and demand.

The strategy regards the problem as a global matter in which all countries share responsibility. It must be approached according to available resources, consider social-economic aspects and cultural context, and strictly respect the internal legal order of each country.

Bolivian Foreign Minister Antonio Aranibar expressed satisfaction at the impact caused by the Rio Group over the drug trafficking issue in the continent.

He said that special UNGA sessions on the drug trafficking problem will probably be held between June and September 1998.

The foreign ministers discussed preparations for the Americas Summit on Sustained Development that will take place on 7 and 8 December in Santa Cruz, Bolivia. They decided to adopt a common position during that summit, which will also be attended by the United States and Canada.

Aranibar said the formation of Free Trade Area of the Americas by 2005 is under way and the final conditions are being negotiated.

The preparatory meeting of the Americas summit was another subject discussed by the foreign ministers. As yet they have not established a date for the preparatory meeting in Cochabamba, but it will be in the last week of August or the first half of September.

The main points of the preparatory meeting in Cochabamba will be the defense of democracy, the struggle against drug trafficking and poverty, sustained development, and the integration of Latin American and Caribbean countries.

The foreign ministers also approved holding a great cultural and intellectual meeting of Latin America and the Caribbean before the preparatory meeting in Cochabamba.

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Prior to the preparatory meeting in Cochabamba, renowned intellectuals will discuss there the cultural integration of the Latin American and Caribbean peoples.

The Rio Group representatives agreed upon a program of meetings that includes China, Japan, Indian, Australia, ASEAN, the members of the Commonwealth of Independent States (CIS), and the Arab league.

Progress of the negotiations by Chile and Bolivia with the Mercosur — which could result in the incorporation of the two countries into a South American free trade zone by next June — was an important piece of news announced by some foreign ministers in Cochabamba.

Peruvian Foreign Minister Francisco Tudela announced a new round of negotiations between Peru and Ecuador on 18 and 19 June in Buenos Aires.

Tudela, who will tomorrow begin an official two-day visit to Bolivia reported that Peru intends to carry on with its integration process with Bolivia "to extents that did not exist in the past."

Inter-American Affairs: Rio Group Ministers Approve Agenda

PY2905153296 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 29 May 96

[FBIS Translated Text] The 15th Meeting of Rio Group Foreign Ministers has agreed that the agenda for the 10th Rio Group Presidential Summit, and its final declaration, will focus on insurance mechanisms to protect democracy, sustainable development, integration, the struggle against poverty, and drug enforcement.

Bolivian Foreign Minister Antonio Aranibar, the pro tempore secretary of the Rio Group, reported that technical considerations prevented the meeting from setting the date for the presidential summit. It will be up to Bolivia to arrange the date through bilateral consultations. The presidential summit could take place at the end of August or in the first half of September 1996.

The Rio Group foreign ministers reviewed the draft declaration submitted by the pro tempore secretariat and approved the proposal of the Bolivian president.

Foreign ministers of Andean Community countries — Venezuela, Colombia, Ecuador, Peru, and Bolivia — agreed to sign a protocol amending the treaty that created the Cartagena Accord Court. Bolivian Foreign Minister Antonio Aranibar presided over the Andean Community foreign ministerial meeting to amend the treaty.

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Cuba

Cuba: Article on U.S.'Imperial Letters' to Investors

PA3005003996 Havana PRENSA LATINA in Spanish 1839 GMT 29 May 96

[By Javier Rodriguez: "Imperial Letters"]

[FBIS Translated Text] Havana, 29 May (PL) — The news was revealed by U.S. State Department officials: Today, the United States began to send warning letters to Canadian, Mexican, and European companies that have normal commercial ties with Cuba.

The goal of the letters — far from urging the exercise of free trade among countries — is to threaten investors in those countries with reprisals if they and their direct family members continue their dealings with the Caribbean country.

The sanctions vary, ranging from the very personal one to deny U.S. visas to the wives and children of the businessmen in question, to the one to try these people in U.S. courts under charges of "trafficking" that involves assets nationalized by Cuba following the victory of the revolution in 1959.

This is the first step in the implementation of the Helms-Burton law, which was approved by Congress and promulgated by President William Clinton, with the basic intention of strengthening the economic and commercial blockade against the island.

According to media reports, the letters sent today are the first in a long "black list" that may involve enterprises from all over the world that are interested in investing in Cuba, either to produce food, operate hotels, or simply manufacture medicine or soap.

The law, sponsored by the most conservative sectors in the United States, seems to respond, according to the Cubans, to the cherished but never achieved dream of destroying the current political process in the Caribbean island, even at the hypothetical price of provoking starvation and epidemics.

This single possibility provoked the local population's massive rejection and protests from other parts of the world, the latter heightened by the U.S. decision to impose its views globally. This annoyed even the closest allies of the United States.

The many governments that were affected or angered have already been joined in their rejection of the attempts by the United States, by the Group of Rio, the European and Central American Parliaments, legislative branches from numerous nations, and even the World Trade Organization, among others.

Nevertheless, Washington has turned its back on the general clamor, ignored the protests and issued what many call the "imperial letters," the eventual prelude to darker times in international relations.

Cuba: Past Compensation for Nationalized Lands Viewed

PA2805204496 Havana PRENSA LATINA in Spanish 2251 GMT 27 May 96

[Unattributed report: "Cuba Was Always Willing To Compensate Nationalization"]

[FBIS Translated Text] Havana, 27 May (PL) — Since the agrarian reform law was issued, Cuba has always been willing to pay those who were affected [by nationalization] and in this way, many collected and others did not do so because of carelessness or because they thought the revolution was dying, it was stated in this capital today.

The weekly OPCIONES has published an extensive report on the compensation process undertaken in May 1959 by the then incipient Cuban revolutionary process. The report included an interview with Agriculture Ministry expert Jose Garea Alonso.

Garea recalled that the first agrarian reform law established the compensation mechanism for both nationals and foreigners. The installations, crops, houses, and animals were appraised and payment for damages to the verified owners was initially established.

He indicated that the process evolved normally for the interested individuals and that it only failed to benefit those who never presented their sworn statement of property nor appeared before the courts and even abandoned the country or committed counterrevolutionary crimes.

He also stressed that a percentage of those affected by the law did not exercise that right, believing that the revolution would disappear and that, if they collected, they would then lose a possible or hypothetical right over the nationalized property.

After the second agrarian reform law in 1963, and even though it was more radical than the first, a form of payment was established. It included cash payment for small landowners and a part also went to the former Cuban tenants.

Garea emphasized that the important thing is that the Cuban agrarian reform laws established how to pay for the expropriated land, so one must not speak of confiscations, even though the promoters of the Helms-Burton law have put everything in the bag of confiscations.

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In truth, Garea explained, confiscations only took place in the cases of individuals who definitely abandoned the country and as additional punishment for those convicted by courts of counterrevolutionary crimes.

The United States did not accept the form of payment established by the Cuban laws, but the Agriculture Ministry's files include records about who were the owners of the land, whether or not they were paid, and if they were not, the reasons why.

All these files, Garea said, enable the Cuban state to have an exact account of the background of each case and even to make a decision about an individual's objectives in investing in the island.

As an interesting example, the weekly's report indicated that the foreign investors in the tourist installations of Cayo Coco, on the northern coast of the central province of Ciego de Avila, initially asked for a certification of the history of those lands.

They verified that the lands were nationalized through the second agrarian reform law and that they belonged to a Cuban who was paid the appropriate compensation, as the law in force at the time established.

Cuba: Commentary on U.S. Revocation of Pilot's License

PA2605201996 Havana Radio Havana Cuba in Spanish 0000 GMT 26 May 96

["Station Commentary" read by Norberto Hernandez Valdez; during the "Evening Information Review" newscast]

[FBIS Translated Text] At the United Nations this week, Cuba reiterated its view that the United States acted belatedly in revoking the civil pilot license of Jose Basulto, leader of the Florida-based Brothers to the Rescue organization, because he violated the island's airspace on two occasions in recent months. The document that Cuban Ambassador to the United Nations Bruno Rodriguez Parrilla circulated at the UN General Assembly states the light airplanes, led by Mr. Basulto, had violated Cuba's airspace at least 27 times in the past two years.

The Cuban document reiterated that the death of four crewmen of the light airplanes participating in this violation, a regrettable incident from a human standpoint, could have been avoided if U.S. authorities had prevented — as is mandatory based on international law — these activities from taking place. The existence and provoking purposes of the organization named Brothers to the Rescue were given wide coverage by the U.S. news media and organization leader Basulto publicly announced the incursions against Cuba before carrying them out. At first, he announced his activities would be limited to finding in the high seas people who left Cuban coasts aboard fragile navigation rafts headed for the United States for the expressed purpose of improving their economic situation. Emboldened by the Cuban authorities' patience and restraint, Mr. Basulto and his sponsors, however, did not take long in violating the country's borders in a most daredevil and provoking manner. In 1995 they over flew Havana and dropped flyers with subversive propaganda without being disturbed, although they were followed at all times by anti-air defense.

Cuba: Commentary on Primakov's Visit to Latin America

PA2905171996 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 27 May 96

[Commentary by Daysi Gomez; from the "NTV" newscast]

[FBIS Translated Text] You have noticed this week that Latin American has been the focus of Russian diplomacy. The visit of Russian Foreign Minister Yevgeviy Primakov to Mexico, Cuba, and Venezuela, the first after the fall of the USSR, agrees with the Kremlin's new international line, aimed to recover positions, and marked by a closer approach to the Third World.

The opposition's victory in last December's elections showed the Russian leadership the urgent need to change its policy on the presidential race. This caused the replacement of candidates considered too much prowestern, such as former Foreign Affairs Minister Andrey Kozyrev, who was substituted by Primakov, considered to be an experienced, nationalist, and pragmatic politician, with knowledge of the Third Word.

The new Russian foreign outlook aims to diversify relations with complementary regions and countries, to enable the defense of reciprocal objectives in view of the prevailing unipolarity, which Moscow wants to transform into multipolarity. Thus, Primakov's first visit to the American continent, did not include the United States, but three Latin American nations, with much importance in the region.

Primakov first visited Mexico, a key country to counter U.S. influence in the continent, and in Latin American decisionmaking, that has had relations with Russia for over a century, even in crucial moments for both nations.

The second stop in his tour was Cuba, the largest Caribbean island, which occupies a strategical geographical position, has political dynamics that go beyond the continent, and a potential market in sectors

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with economic future, such as tourism and biomedicine, among others. In addition, Cuba is Russia's main sugar supplier, and, so far, during 1996's first four months the volume of the bilateral trade has been over $400 million, the total figure reached during 1995. But there are links between Russia and Cuba in nearly all sectors, therefore, Moscow looks at Cuba as its most closest point in Latin American, and the door to this part of the continent.

In Venezuela, the last stop of his tour, Primakov opened a new chapter in bilateral relations, being the first Russian foreign minister to visit, despite 140 years of diplomatic relations with Venezuela. During his visit, he signed friendship and cooperation agreements, and confirmed the reciprocal willingness to reestablish their former trade agreement: Venezuelan oil for Cuba and delivery of Russian oil to European buyers of Venezuelan oil. This operation has saved transportation and freight to both exporters.

The moment chosen for Primakov's visit might be considered timely and promising, however, the final results will depend on the constant and effective progress of the agreements.

Cuba: Castro Meets With Ukrainian Official

PA2905171396 Havana Radio Havana Cuba in Spanish 1300 GMT 28 May 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Top Cuban leader Fidel Castro has met in Havana with Ukrainian Vice President [title as heard] Dmytro Tabachnyk with whom he has discussed economic projects and bilateral trade in the areas of medicine, construction, and machinery.

During the meeting, Tabachnyk thanked the Cuban president for the hospitality the island has shown approximately 13,000 children who are victims of the 1986 accident at the Chernobyl nuclear plant.

The Ukranian leader has stressed the technological progress Cuba has made in the area of medicine, saying such progress can be useful not only to the Ukraine but to other former Soviet republics.

Tabachnyk gave Castro a message from Ukranian President Leonid Kuchma and praised the existence of a common language between the two countries that has expressed itself in the opening of an embassy in Havana and has increased tourism.

Cuba: Official Denies Conditions Exist for Accord With EU

PA2705165496 Havana Radio Havana Cuba in Spanish 0000 GMT 26 May 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Cuban Deputy Foreign Minister Isabel Allende has said that during her recent contacts with the European Union, it was determined that the dialogue between the two parties would continue, but said it cannot go through a process of questioning on economic or political matters of any type.

The Cuban deputy foreign minister made her statements to the media following her recent visit to Brussels where she met with EU leaders and said her country is very interested in a stable relation with that union and wants to reach a cooperation agreement.

Isabel Allende said the media in some European countries have been reporting inaccurate information regarding the existence of conditions in order for the European Commission to draft negotiation guidelines for an agreement with Cuba. She said that was not the position on which the two parties had previously agreed.

The Cuban diplomat said the island has a very dynamic relationship with the principal countries of the European Union, much more solid at a bilateral level than at a multilateral level.

The Cuban diplomat said no date has been set for a dialogue, but said it should take place after the Italians turn in the presidency of the European Union, which is currently going through a succession phase.

Cuba: Interest in Talks, Cooperation With EU Reiterated

PA2605230696 Havana PRENSA LATINA in Spanish 1359 GMT 25 May 96

[FBIS Translated Text] Havana, 25 May (PL) — Cuba reiterated its interest in a stable relationship and cooperation agreement with the European Union (EU) that is based on mutual understanding and reaffirmed its decision to continue the talks it started with the organization in 1995.

In an interview carried by the newspaper GRANMA on Saturday, Vice Foreign Minister Isabel Allende noted that an agreement with the EU must take into consideration the interests of the two sides and cannot tolerate rebukes of an economical or political nature, or of any kind.

Our country — the vice minister said — considers it necessary to continue the talks with the EU because we

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have heard some of the things that are of interest to that organization, but Cuba has the need and is entitled to express its own interests.

The Cuban official explained that a cooperation agreement is a complex matter and process. "With Vietnam," she stated, "the discussions lasted almost three years and have not concluded with some of the countries."

Commenting on recent negotiations over the issue of Jose Anacoreta, director for Latin America of the European Commission (the EU's executive branch), Allende stated that "we agreed to continue analyzing the matter but left it to the troika and the Council to decide when we will meet again."

She noted that the Caribbean nation has much to offer to the EU, "as in our achievements in education and health, the social achievements of the revolution, ...all befitting" — she noted — "First World countries."

The official stressed that bilateral relations between Cuba and major member countries of the EU are stronger than the ties with the organization itself, something that she cannot explain.

The discrepancy between the sides does not stem from the fact that the island has a different regime, with a democratic system different to the one in Europe, since the EU has signed several accords with countries with dissimilar political and economical conditions and different social models, she noted.

"It would seem," she stated, "that Cuba is being asked some things, and that the EU would like to implement in Cuba a policy that is different than what it would achieve in a cooperation agreement."

In addition, she acknowledged the EU's rejection to the anti- Cuban Helms-Burton law that seeks to stiffen the blockade that Washington has imposed on Havana for over three decades.

It is a very clear and strong stance against the legislation and is in defense of the sovereignty of countries and international law.

Cuba: Deputy Foreign Minister Meets Guyana's President

PA2805220796 Havana PRENSA LATINA in Spanish 2209 GMT 27 May 96

[FBIS Translated Text] Georgetown, 27 May (PL) — Guyanese President Cheddi Jagan welcomed Cuban Deputy Foreign Minister Jorge Bolanos, who is visiting here on Guyana's 30th local independence anniversary.

During the conversation, which took place last night in an friendly and fraternal atmosphere, the Guyanese president received an independence anniversary message from Cuban President Fidel Castro.

At the same time, information was exchanged on high priority items on Cuba's international agenda, including reactions abroad against the Helms-Burton law and actions by the people to overcome the hardships imposed by U.S. anti-Cuban policies.

The Guyanese head of state was also interested in the Cuban economy and was pleased with the positive results attained by the island over these past few months.

Jagan also highlighted the technical-scientific and economic cooperation that Cuba offers Guyana in various spheres and mentioned the convenience of increasing it in other fields.

In another vein, the president exchanged ideas with Deputy Foreign Minister Bolanos on the pernicious effect on the Third World that the current globalization course entails, which is practiced by the superpowers.

The Guyanese president spoke about his country's position in the international arena, emphasizing the need to reach a new humanitarian order.

In another point during his talks, he referred to his thesis — shared by many Third World countries — to reach as quickly as possible a global negotiation to alleviate the foreign debt, through the commitment of the international community and the active action by world organizations.

The Cuban deputy foreign minister, in turn, expressed his government's resolve to continue working toward strengthening relations between Havana and Georgetown.

Likewise, Bolanos stressed his pleasure for being in Guayanese territory during the celebration of such an important date, while highlighting President Jagan as a symbol of the historic struggle for his country's independence.

Cuba: Diplomatic Relations Established With San Marino

PA2805233696 Havana PRENSA LATINA in Spanish 1728 GMT 28 May 96

[FBIS Translated Text] Havana, 28 May (PL) — Cuba and San Marino established diplomatic relations today, and they called for an increase in bilateral cooperation in all areas and respect for sovereignty and national independence.

The Cuban Foreign Relations Ministry reported that the two governments exchanged official notes and

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agreed to upgrade each other's representations to the ambassadorial level.

This took place over a brief ceremony held at the capital of this European country, attended by Gabriele Gatti, secretary of state for foreign and political affairs, and Cuban Ambassador Mario Rodriguez.

The two states stressed that the new ties will help promote greater economic and cultural exchanges that will benefit the two parties, and they also agreed that they will help the countries learn more about each other and increase cooperation.

The Republic of San Marino is a small nation bordering Italy. It has about 24,000 inhabitants and is governed by a coalition made up of the Communist and Christian Democratic Parties.

From an economic standpoint, its main production areas are agriculture, light industries, and tourism.

The Cuban Foreign Relations Ministry stated that this sovereign decision made by the two governments started a new and fruitful phase in their relations.

Cuba: Bolivian Congressmen End 7-Day Visit

PA2705160496 Havana Radio Havana Cuba in Spanish 0000 GMT 27 May 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] The delegation of 15 Bolivian congressmen, who had been paying an official visit to Cuba, returned to their country today after a week of meetings and numerous visits to areas of political, economic, and social interest. The Bolivian congressmen met with Ricardo Alarcon, president of the National Assembly of the People's Government, Attorney General Juan Escalona, and Havana historian Eusebio Leal, among other distinguished individuals and officials.

The Bolivian delegation, which ended its visit to Cuba, spoke against the anti-Cuban, Helms-Burton law as an expression, they said, of their support for the Bolivian Congress, which recently rejected the U.S. legal monstrosity aimed at intensifying the economic blockade against the largest island of the Antilles. [sentence as heard]

Cuba: Castro Awards Marti Medal to C.R. Rodriguez

PA2905171496 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 25 May 96

[Report by Gladys Rubio; from the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro awarded the Jose Marti National Medal to Carlos Rafael Rodriguez. The distinction was granted by the Council of State to the outstanding revolutionary combatant, on the occasion of his 83th anniversary.

[Begin recording] [Master of ceremonies Manolo Ortega] Carlos Rafael, you are among the most remarkable representatives of the Cuban doctrine and revolutionary tradition of the 20th century, that blended and became alive in the example set by your revolutionary past. This ceremony reaffirms the union and continuity between the Cuban political culture, from Varela to Marti, and the communist ideal, from Mella to Fidel.

[Rodriguez] I modestly receive the Jose Marti distinction granted by the Council of State. My only desire is to be thought of as a combatant up until the end. [end recording]

Carlos Rafael has lived as a true combatant, joining other young people in the fight against Machado and Batista. His hope for justice carried him to the ranks of the people's socialist party. He understood the goal of the fighting in Sierra Maestra. He was a professor at Havana University, minister and president of [name indistinct], and defended the revolution's views in several international meetings.

Carlos Rafael is knowledgeable about arts, and is a faithful follower of the ideas of Marti, Marx, and Lenin. Truth and justice have always been Carlos' main concerns. He has had a role in some way or another during the last 65 years of this nation, during which he offered his own life to serve the fatherland, and the best of his intellect.

After he received the distinction, I asked Carlos Rafael, when did you start believing in the revolution? To which he answered, since the Moncada, since Fidel testified in court.

He was a believer to the end since then.

Cuba: Lage Urges Workers' Participation in Economic Plan

PA2805205096 Havana PRENSA LATINA in Spanish 1729 GMT 27 May 96

[FBIS Translated Text] Havana, 27 May (PL) — Cuban Vice President Carlos Lage said today the country's administrative authorities must take advantage of the active participation of workers in the planning, supervision, and execution of every firm's economic program.

In a letter sent to the heads of the state central administration agencies and the presidents of the provincial administrative councils, Lage referred to the cycle of assemblies summoned by the Cuban Workers Federation

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(CTC) to analyze those tasks associated with production and management efficiency.

These meetings between each agencies' workers and management must analyze the manner in which the administration has been progressing during the course of the year as well as estimates for 1997, in addition to assessing whether those agreements adopted in previous assemblies have been executed.

The objective, Lage said, is to allow workers the opportunity to contribute their experiences, initiatives, and opinions, as well as to fully identify with those measures aimed at increasing efficiency, ensuring a greater level of activity, as well as a more rational use of available resources.

Furthermore, workers should improve those measures that have been implemented in firms deemed unprofitable in order to reduce or eliminate state subsidies, as well as to assess the execution of current budgets.

The plenary program of assemblies that has been summoned, according to the guidelines announced, must include the concrete participation of the council boards of directors of the various ministries and state agencies whose members are expected to take part in a direct exchange with workers.

As of now, this process must contribute in formulating a more integral part of our targets for next year, Lage's letter stipulated.

Cuba: Lage Closes Agricultural Seminar, Views Discipline

PA2905162996 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 28 May 96

[Report by Jorge Rojo; from the "NTV" newscast]

[FBIS Translated Text] [Rojo] The goal of the national seminar for new municipal agriculture delegates, which concluded this afternoon with an address by Carlos Lage, secretary of the executive committee of the Council of Ministers, is for the new delegates to integrate all the activities which to date have proven deficient. The delegate will be a coordinator with decision power over state agricultural functions. The new agriculture delegates from the 165 municipalities nationwide participated in a seminar that prepared them to ensure a better exploitation of the soil and the resources.

Regarding the distribution of products, the delegates will have to particularly focus in ensuring that there is no repeat of what happened with potatoes, among other products, as Army General Raul Castro pointed out in his letter to the agriculture minister.

[Begin recording] [First unidentified speaker, in progress] ...to send products to child care centers, schools, and nearby health facilities.

[Rojo] What about workers' cafeterias?

[Unidentified speaker] Yes, that is a possibility.

[Rojo] Yet, what is actually happening?

[Speaker] The truth is that the mechanism has not worked, it stalled. [end recording]

Carlos Lage, stated during the closing address:

[Begin Lage recording] The mechanisms cannot work against production and efficiency. They must promote production and efficiency and create the conditions to foster production and efficiency and create sufficient incentives. The example of the leaders is also needed, as well as the cooperation of all, and standards, discipline, rigor, issuing the necessary decisions, critiques, sanctions, and also moral and material incentives. [end recording]

Cuba: Cubatur Manager on Plans After Tourism Convention

PA2705231596 Havana Radio Havana Cuba in Spanish 0000 GMT 26 May 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] "Cuba '96," the 17th tourism convention, which for four days gathered more than 1,500 tour groups from 51 countries at the Conventions Palace in Havana, concluded successfully over the past weekend. I have with me Sara Heiguren, commercial manager for Cubatur, the largest tour group on the island.

[Begin Heiguren recording] I would like to explain what we did at the Convention. Our main objective was to renew the tourist offer that we usually sell to the various markets. It was our purpose to redesign the tour packages, which is essential for tour groups, because it is possible for us to sign contracts with all local contractors to offer joint services so visitors can travel throughout the entire island. With this purpose in mind, we prepared 16 new tour packages, including four new offers for young people. They can travel to our country during the summer or school vacation.

We also have three packages for skin divers, one in Maria La Gorda, another in the Isle of Youth, and the third in Playa La Ria. Also, two packages for groups of bycicle riders who wish to cross the island, and one special offer for Havana cigar smokers. Many groups request visits to tobacco fields. The rest of the offers

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are historical, cultural, recreational, and entertainment-related. Summing up, Cubatur renewed all its offers for this convention.

In addition, along with some hotel chains, such as Horizonte, Gran Caribe, Trip, and (?Accord), we arranged for combination packages whereby tourists can stay in Havana and on beaches. This very attractive offer makes it possible for the visitor to combine as many nights as he likes in Havana with as many nights as he likes in beach towns. This is an attempt to diversify a little the Varadero beach offer. We also introduced Coco and Largo Keys, which can be combined with a stay in Havana. We are now negotiating with C-rate hotels to obtain a number of rooms in Santa Lucia. In the next season we intend to again renew the entire offer, including Santa Lucia, a beach resort that Cubatur so far had been unable to exploit.

As for contracts, we already have reservations for more than 50,000 visitors. We represent the largest tour groups from Canada. I am proud to say that we have established strong contracts with Albaturs, (?Vacancy Transapt), [words indistinct], Signature, and Tomorroyal. We have been representatives for these five Canadian tour groups in Havana, Varadero, and Cayo Coco in Ciego de Avila province.

We are making headway in the Oriente province area, probably with (?Vacancy Transapt) but on a longer term. We are still talking with this enterprise. Yesterday we signed a contract with one of the largest German tour groups. This contract is a source of pride and satisfaction for us, because we had been negotiating with them for a long time. According to the contract, we will be their tourism representatives in Cuba starting on 1 November. Tourists handled by this group will arrive by air to Havana, Varadero, Ciego de Avila, and Holguin. This tour group will have representatives in all of these tourist centers, has already signed up an incredible number of hotel rooms, and expects a maximum of 17,000 passengers next year. The group has three scheduled charter flights with Martin Air and Condor airlines. I think this will be a good deal for the coming year.

The Italian tour group Ventaglio is one of the strongest in the market. We are their full representatives in the Cuban market. We have signed up with them all the tourist offers in Havana, Varadero, and Ciego de Avila. Ventaglio flies directly to Varadero and Ciego de Avila. We have closed a deal with Grancaribe, whose offer includes La Vigia. Another deal we have closed is with (?Ulet), one of the largest Austrian tour groups. This group will start with direct charter flights to Ciego de Avila in the coming rainy season, and La Vigia will be accessible as contracted for with Grancaribe. In addition, with the Trip group, which connects with Cayo Coco, we are expanding our capacities, because we have many tour groups who have requested the zone in northern Ciego de Avila and it is a very attractive tourist offer for Cubatur. This convention has been very good because we have been able to renew the tourist offer. Some of the tour groups who had stopped working with us have returned. [end recording]

Cuba: Tourism Industry Exhibit Inaugurated in Havana

PA2605131296 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 22 May 96

[Report by Hilda Prieto; from the "NTV" newscast]

[FBIS Translated Text] The Eighth International Meeting on Technology and Products for the Tourism Industry, called Tecnotur 96, was inaugurated at the Pabexpo Fair premises today with 570 firms from 23 countries and a exhibit area of 6,000 square meters. Cuban Foreign Trade and Tourism ministers, Ricardo Cabrisas and Osmany Cienfuegos, respectively, attended the opening of the event, among others.

[Begin Cienfuegos recording] It is amazing to see how in a time such as this, all pressures exerted by the U.S. Government and administration, which are aimed at preventing events such as these, are hitting a wall. We have had the opportunity to speak with businessmen who are participating here and we are optimistic about the future. [end recording]

Tecnotur 96 in Pabexpo is showing that Cuba is participating in world markets and that the Helms-Burton law may slow potential investments, but will never stop them.

A total of 1,600 delegates from 54 countries are attending the 17th Tourism Convention that is holding its sessions at the Convention Palace between 22-24 May.

[Begin Conrado Martinez Corona, president of the Provincial Assembly of the People's Government in Havana, recording] In keeping with the correct timing and protocol, we could say that this convention has begun. [end recording]

Conrado Martinez Corona added during the opening ceremony that up to 30 April 1996, Cuba had hosted more than 375,000 visitors, 44.8- percent more than during the first four months of the previous year. Of these, more than 158,000 visited Havana.

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Debates of the four main topics are scheduled to begin tomorrow. The first two topics will be health tourism and conventions and incentives.

Cuba: Minint Captain Views Work To Fight Crime

PA2605141296 Havana Radio Rebelde Network in Spanish 1155 GMT 22 May 96

[Interview with Interior Ministry Captain Angel Diaz by Fernando Garrido; from the "Doing Radio" newscast — live]

[FBIS Translated Text] [Garrido] On the occasion of the Interior Ministry [Minint] anniversary, here with us is Captain Angel Diaz, to whom we give a warm welcome.

[Diaz] Yes, to mark the Minint's 35th anniversary, which will be celebrated on 6 June, our forces all over the country have launched a campaign to fight crime and have been raising the level of information in each territory. As Division General Romarico Sotomayor, chief of the National Revolutionary Police said, this is 35 times two, since we are also going to salute the 70th birthday of our commander in chief in August.

I can tell you all our units working courageously to combat all types of crime. I can tell you that in Granma, for instance, they started and concluded proceedings regarding the undue appropriation of over 75,000 pesos and the corrupt officials involved are currently in custody. In a major enterprise of Las Tunas, we took action against an unscrupulous group involved in diverting resources and perpetrating other offenses. Last week, we were in Matanzas and saw the existing climate of social renovation [saneamiento social], the war against prostitution. We also talked to a group of taxi drivers who told us that the hassling by prostitutes had been strong a short while ago, but thanks to the work done by the police there is an atmosphere of calm, a most pleasant atmosphere, which is what we should have to welcome tourists who come to our country. Also in Matanzas, we took action against someone, who with the complicity of others here in Havana, was stealing cars. Since I have been here a short while, I can tell you that we continue the renovation work around the agricultural markets and the (?Cupecs). At the 10 October Agricultural Market, we arrested 10 persons who were illegally purchasing and selling dollars. All of this shows that.... [pauses] In Playa, we have also worked to renovate the area near the car dealership. We arrested nine citizens there who were selling spare parts and accessories. We have had similar cases in Guanabacoa, where we arrested four car thieves. We seized a car engine and other spare parts and accessories, 10,000 pesos, and $850. This is evidence of the actions to fight crime that our commands and the police are conducting to salute the Minint's 35th anniversary and the birthday of our commander in chief to be celebrated in August.

[Garrido] Yes, and on this topic, the police are not the only ones working to stamp out this sort of activity. The concern and interest of officials and workers of the different units are tremendously helpful in preserving the country's economic centers and avoiding illicit activities.

Cuba: Construction Minister Reviews Work in Sector, Goals

PA2705173796 Havana Radio Rebelde Network in Spanish 1155 GMT 23 May 96

[Telephone interview with Construction Minister Juan Mario Junco del Pino by correspondent Jose Mejia Osorio in Guantanamo; from the "Doing Radio" newscast — live]

[FBIS Translated Text] [Mejia] Just as we announced, today is the Ministry of Construction's [MICONS] 33d anniversary. This Radio Rebelde correspondent in Guantanamo establishes contact with Comrade Juan Mario Junco del Pino, minister of construction, who is touring Baracoa. Good morning, minister.

[Junco] Good morning.

[Mejia] On the 33d anniversary of the MICONS' creation, we have the statements by its minister, Juan Mario Junco del Pino, for the sector's workers.

[Junco] Well, I salute and congratulate all our people, all the country's constructors, for their hard work during the first months of this year and throughout the constructors' heroical history [words indistinct]. I want to say they have worked very hard this year based on a new work method, based on our reaction to the just criticism from our commander in chief. Constructors have truly shown their revolutionary passion, love for [words indistinct] with their dedicated work. Despite the constant demands, the errors that still prevail, and despite the old concept that some cadres still have, we must say that a strong reaction has occurred during the first four months of this year. It has involved a lot of hard work and modest successes have been achieved. We must say that more than 1,400 rooms have been built so far in a priority sector for the country, meaning the tourism sector, compared with the 1,332 rooms built last year. This clearly shows that success has been achieved.

More rooms have been built during the first months of the current year than all of last year. The volume of construction work has increased, which reflects a reactivation of our sector. Production has grown more than

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51 percent, which is very significant. This has been accomplished with efficiency. We can say that productivity per man surpasses 3,000 pesos, which is remarkable considering that our organizational structures are not up to date. Construction work is being done efficiently, even though [words indistinct] to introduce advanced technology, new organizational methods, and [words indistinct] in our work. Despite those conditions, we are obtaining very good results and we still have organizational reserves, as we mentioned before.

We are working on the housing program, we are producing [word indistinct] material, and we can see plenty of activity in the sector. In the past, construction workers rejected those methods, but now we can say that we have managed to introduce them and we can see [word indistinct] material in houses. Therefore, we expect a significant growth in housing programs, in which the Construction Ministry will play an important role.

We are constructing roads to help with the sugarcane harvest. Our work supporting the sugar harvest in various regions has been very important; construction workers have definitely given their contribution to the sugarcane harvest.

The first months of the year have been difficult, but the results are good. We are satisfied with the results and we hope to meet the expectations of the party and the revolution, and thus, contribute to the country's development. We can be sure that construction workers will never fail the revolution.

In addition, we are celebrating the 13th anniversary of the creation of special engineering brigades. These heroic brigades have contributed with their efforts to the country's defense. Inspired by the example of our Armed Forces, they have given an important contribution to construction work in our country.

Cuba: Government Explains Personal Income Tax Resolution

PA2605233396 Havana Radio Rebelde Network in Spanish 1700 GMT 23 May 96

[Report by Demetrio Villaurrutia; from the "National Radio News" newscast]

[FBIS Translated Text] Resolution 24 of 1995, which establishes personal income tax when the income is in the form of foreign currency, is now in force as part of the tax policy being gradually and systematically implemented in the country.

Every Cuban individual who receives personal income in foreign currency or convertible Cuban pesos must be registered in the taxpayers' record of the corresponding tax collection administration's municipal office within 90 days after 11 April, when Instruction 4 of the Finance and Price Ministry was put into effect.

[Begin recording of Carlos Perez, head of the Finance and Price Ministry's tax policy office] Law 63, which is in force, establishes a tax on Cuban citizens' personal income regardless of its source and is based on a profitability criterion. This personal income tax also applies to all foreign citizens who stay in Cuba for more than 180 days. [end recording]

The legislation does not apply to the personal profit obtained from businesses by foreigners who are partners in enterprises, contract partners, or partners in international economic associations.

[Begin Perez recording] Law 63 establishes as a mandatory requirement that all income, both in local and foreign currency, including the salary, be taxable to a proper degree in proportion to its amount. Taking into consideration the country's present situation, all salaries in Cuban pesos are excluded from this tax in the first stage of the enforcement of this tax system. The income obtained in foreign currency is temporarily excluded from this tax. In other words, the resolution excludes the taxing of income from retirement and pensions. Personal cash remittances for family assistance received from abroad are not taxable as personal income, provided that it can be demonstrated that such income originated from abroad and that, consequently, they are official remittances. [end recording]

Cuba: Heavy Rains Cause Major Damage in Central Provinces

PA2805195696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 25 May 96

[From the "NTV" newscast]

[FBIS Translated Text] This afternoon, National Civil Defense headquarters has issued Communique No. 4, it reads:

The heavy rainfall of the past few days on the country's central provinces, from Villa Clara to Ciego de Avila, has affected the people and the economy in different ways. According to information received at National Civil Defense headquarters, the rains have ceased in those provinces. Nevertheless, the current situation is as follows; in Villa Clara, Sancti Spiritus, Cienfuegos, and Ciego de Avila 466 people, 20 of which are children, were evacuated from the areas most threatened. These people are in shelters and in relatives' homes.

The last communique issued by National Civil Defense headquarters adds that three deaths were reported in

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Cienfuegos Province. Hector Cruz Roman, age 60, drowned at Los Molinos, a small dam; Hurtinio Beltran Leonar, age 38, drowned while trying to cross the Damuji River; and Juan Tamayo Dieguez, age 40, was electrocuted after touching a high tension wire.

The communique adds that reports from those provinces state that over 3,800 houses have been damaged and losses in agriculture and sugarcane are being estimated at this time. Furthermore, there are reports of damage to roads, accesses, and bridges. Civil Defense instructs the population in those provinces to comply with the instructions given by local authorities and to participate in the recovery efforts as required.

Signed, National Civil Defense.

Haiti

Haiti: Police Head Denounces 'Destabilization Campaign'

PA2905151396 Port-au-Prince Signal FM in Creole 2100 GMT 28 May 96

[From the "Signal Current Events" newscast]

[FBIS Translated Excerpt] National Police Director Pierre Denize has reacted to the assassination of policeman Valcourt Desir. Denize denounced a plot aimed at destabilizing the National Police. The general director of the police announced that concrete measures will be taken in order to thwart this destabilization campaign.

Among the measures that will be taken, Denize mentioned a disarmament program to be initiated as of today. Other measures include the arrest of the people who are supposedly involved in this destabilization campaign, according to the National Police director. [passage omitted]

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Mexico: Group Formed With France Against Helms-Burton Law

BR2905143296 Paris LE FIGARO (LE FIGARO-ECONOMIE Supplement) in French 29 May 96 p 11

[Report by Baudouin Bollaert: "France-Mexico: Agreement in the Name of Diversification"]

[FBIS Translated Excerpt] Mexico City — Herve de Charette recently concluded a three-day visit to Mexico, his first to Latin America since he became foreign minister. He took advantage of the trip to meet with most of France's ambassadors in the region to set out what is both a more coherent and dynamic policy for this part of the world.

This diplomatic activity is all the more important since President Jacques Chirac will visit Latin America next year in reply to the invitation initially sent out by President Cardoso.

The French aim in Mexico is to give "fresh impetus" to relations between the two countries, especially at the level of trade. At the same time another objective is to provide these countries with an alternative to an exclusive head-to-head with the United States through the intervention of the EU. Mexican President Ernesto Zedillo told Mr. de Charette of his wish for "diversification."

As a sign of goodwill, the French foreign minister announced the suppression of the need for tourist visas between France and Mexico. It must be said, however, that France is the last Schengen country to lift this requirement. The measure will be effective as of 25 June.

Mr. de Charette also confirmed France's green light for the opening of talks in Brussels toward a "reciprocal and gradual liberalization" of trade between the EU and Mexico. In doing so he formally rejected the claims of all those that suspected Paris of dragging its heels in this affair. [passage omitted]

There is one area where Mexicans and French are united in their opposition, and this concerns the American Helms-Burton Law whose aim is to step up the embargo against Cuba. This should take effect at the beginning of July. Paris and Mexico City have decided to form a working group to try to get the United States to change its stance.

Two major Mexican companies — Cemex (cement) and Domos (telephones) — are directly affected by this law which threatens to prevent access to America of foreign companies that have invested in Cuba. Herve de Charette said: "We are concerned. Without starting a crusade against Washington, we must at least all agree before the WTO meets again in Singapore."

For the French minister the Helms-Burton Law is a "bad law" which runs counter to "the principles and rules that govern trade in the framework of the WTO." [passage omitted]

No Agreement

France is the fourth largest supplier and the fourth largest customer of Mexico and 374 French companies are based there. However, the room for progress is enormous since French exports, for example, represent only 2.2 percent (as opposed to 3.6 percent for Spain, 5.4 percent for Japan, and 73 percent for the United States). Herve de Charette was accompanied on his trip to Mexico by a delegation of businessmen from Alcatel, GEC-Alsthom, Thomson, Matra, Lyonnaise des Eaux, Panhard, Vilmorin, etc.

For small- and medium-sized companies and industry in particular, an agreement is being looked into by both countries for the protection and encouragement of investments (freedom to repatriate profits and capital, international arbitration in the event of disputes, etc.). However, it is still uncertain when exactly it will be signed.

Herve de Charette, who at the start of his visit chaired the first "great French-Mexican commission," was received by President Ernesto Zedillo and had the opportunity to mention other issues such as disarmament, reforming the United Nations, and the battle against drugs, an area in which Mexico is very active.

A "letter of intent" was signed between the two countries in the field of drugs. In the prospect of the special session of the United Nations on this subject which will be held in Mexico City in 1998, this letter should conclude with a closer French-Mexican cooperation agreement.

Finally, Mr. de Charette signed with Mexican Foreign Minister Angel Gurria — since Mexico is currently presiding the Association of Caribbean States [ACS] — a text whereby France becomes an associate member. The ACS has 25 members and aims to promote trade and scientific and cultural exchange in the region.

Mexico: 'Joint Actions' Against Helms-Burton Law Viewed

PA3005012196 Mexico City NOTIMEX in Spanish 2044 GMT 29 May 96

[By Edelmiro Franco]

[FBIS Translated Text] Caracas, 29 May (NOTIMEX) — Mexican Foreign Relations Secretary Jose Angel

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Gurria said here today that Mexico will take joint actions with other world nations against the Helms-Burton law, which violates international law.

The Mexican foreign secretary believes that the Helms-Burton law concerns not only Mexico and Canada: "It concerns the European Union, the Rio Group, Caricom (Caribbean Common Market), and the eastern countries that have voiced their concern and [word indistinct]." He stressed that this law goes "against the spirit of the OAS Charter, the World Trade Organization (WTO), NAFTA, and public international law."

At a news conference, Gurria pointed out that, once the first warning letters are sent to the companies conducting business in Cuba, international forums would have to reject the Helms-Burton law. "We will have to again reject the law and continue with the consultations in various forums and further our ties with other world nations to take joint actions, in addition to those our companies take on their own," he added.

According to Gurria, a sort of "mirror law" [ley espejo] is among the actions that various countries could carry out to offset the effects of the Helms-Burton law. He cited the cases of Canada and the United Kingdom, where there are regulations "equivalent to statutes offsetting the effects of extraterritorial laws"; in other words, these countries prevented local companies from contributing to the collection of evidence against their own interests.

Other actions that could be taken are a third consultation between Mexico and Canada, as NAFTA partners, and a panel, as the last mechanism to resolve the conflict that the law has triggered. We could also, the foreign secretary went on, resort to the WTO and such multinational organizations as the United Nations and the OAS.

Chapter 3 of the Helms-Burton law has to do with the possibility of filing lawsuits in U.S. courts against businessmen from any country "believed to be dealing with confiscated goods in Cuba." Chapter 4 forbids the free movement of people conducting business on the island. This implies the revocation of visas to enter U.S. territory.

Gurria stressed that his government will do anything within its reach to protect the interests of businessmen who made investments in Cuba and will continue to decry the commercial blockade the United States has imposed on the island for more than 30 years.

Foreign Secretary Gurria is making a two-day official visit to Caracas to revise bilateral relations and sign new cooperation agreements with Venezuelan authorities.

Mexico: Congressional Commission Rejects Helms-Burton Law

PA3005042996 Mexico City XEW Television Network in Spanish 0330 GMT 30 May 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Senators and deputies from the PRI [Institutional Revolutionary Party], PAN [National Action Party], PRD [Party of the Democratic Revolution], and PT [Labor Party] who comprise the Congress of the Union's Standing Commission approved a point of agreement that rejects the implementation of the United States' Helms-Burton law and reasserts the Mexican Congress' support for the Cuban people.

The approved point of agreement was read by PRI Senator Fernando Ortiz Arana, chairman of the Standing Commission, on behalf of all the parties represented at the Mexican Congress.

[Begin Ortiz Arana recording] The Helms-Burton law is absolutely rejected because it is considered a threat to our sovereignty and a violation of international law. [end recording]

The document states that the necessary mechanisms must be established as soon as possible to legislate on measures to defend Mexico's trade interests from the Helms-Burton law's threats. Senator Ortiz Arana added:

[Begin Ortiz Arana recording] Consider the advisability of having the Mexican Government carry out joint actions with other countries affected by the law and resort to the appropriate international authorities so that they may adopt the necessary measures to counter the mentioned law's intentions. [end recording]

The Standing Commission unanimously approved, with 36 votes, a ruling authorizing Mexican President Ernesto Zedillo to leave the national territory between 10 and 15 June to carry out a state visit to Canada.

Mexico: Government Protests U.S. Warning to Companies

PA3005024596 Mexico City NOTIMEX in Spanish 0054 GMT 30 May 96

[FBIS Translated Text] Washington, 29 May (NOTIMEX) — Mexico today sent a strong protest note to the United States with regard to the warning letter sent to a Mexican company, based on the Helms-Burton law. Mexico said the action is unacceptable and violates international law.

The Mexican Embassy in Washington reported that Mexico "strongly protested before the State Department the fact that a warning letter was sent by the U.S.

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Government to the Mexican company Domos Group. The U.S. letter is based on the Helms-Burton law and warns against conducting business with another country."

The embassy stated in a communique that, while the law was being drafted, Mexico had notified the United States of "its serious concern because the extraterritorial aspects of the law could violate international law."

The embassy added: "In its diplomatic note of protest, Mexico also told the U.S. Government that the warning letter sent to Domos Group on Wednesday represented "an illegal attempt to make the United States' extraterritorial jurisdiction prevail in Mexico."

Mexico told the United States that Domos Group is a company created and established in its national territory to conduct trade with other countries according to the Mexican state's laws and policies and according to international trade laws.

"Consequently, Mexico has an inalienable interest in defending its national jurisdiction and the economic interests of Mexican enterprises that trade with other states at the international level, according to Mexican laws and policies," it added.

The embassy noted: "Mexico also emphasized that the United States' attempt to exercise its extraterritorial jurisdiction and restrict Mexican enterprises' trade with third countries is thus unacceptable and violates international law."

The Mexican Government said it will continue to support and counsel Mexican enterprises that are presumably threatened by the possible extraterritorial effects of the United States' Helms-Burton law.

Mexico: Communique on Resignation of Security Secretary

PA3005024396 Mexico City LA JORNADA in Spanish 29 May 96 pp 1, 38

["Text" of communique read by Presidential Spokesman Carlos Almada at the Los Pinos official residency in Mexico City on 28 May]

[FBIS Translated Text] "Doctor David Garay Maldonado, public security secretary of the Federal District, was summoned to the Los Pinos official residence today so that, based on the investigations that were carried out, he would offer President Ernesto Zedillo an explanation on incidents that occurred on 23 May. The incidents occurred during a march by members of national teachers' organizations along some streets in the capital.

"Although the explanation clearly stated that a group of people who participated in the demonstration committed violent actions by attacking some Policemen, the president was in no way pleased by the fact that the actions were countered with violence instead of alternative measures, which would have prevented a clash and its deplorable outcome of injuries.

"The president considered that, although the marches obstruct the city's normal activities, usually annoy the people, and may lead to acts of provocation, the responsibility of the security corps is to always act with caution and call for order and dialogue, so as to assure the combination of freedom of expression and the enforcement of public order. The use of public force will be justified only when there is a flagrant violation of third parties' rights, including physical aggressions or damage to their property, so we must act in strict adherence to the law, with efficiency and control.

"The president considered that, by first choosing to use force rather than using methods that maintain public order as well as dialogue and negotiation, the actions carried out by the public security secretariat did not conform to the best interests of the citizenry or the Government.

"Therefore, based on sub-subparagraph c) of part II of Article 122 of the Constitution; articles 34 and 35 of the Federal District Government's statutes; and article 7 of the Federal District's Public Security Law, the president asked Dr. Garay Maldonado to resign from his post as head of this agency. Based on the same legal provisions, the president decided that the Public Security Secretariat's director general of operations should provisionally assume the post until the appropriate appointment is made. This will happen next week, when Mexico City Mayor Oscar Espinosa Villareal — who will be absent until Sunday due to a previously authorized trip — will submit to the president of the republic a list of candidates for the secretariat.

"The presidency reasserts its firm conviction that violence cannot be answered with violence; that the authorities should invariably respect the rights of the citizens; and that every group, organization, or citizen has clear channels through which they can submit their demands to be handled according to the state of law, in an atmosphere of tranquillity and respect, and through reconciliation."

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Mexico: Threats to 5 Jun Chiapas Talks Described

96CA0181A Mexico City REFORMA in Spanish 21 May 96

[Article by REFORMA correspondent Guadalupe Irizar: "The Dialogue Is in Crisis" — received via Internet]

[FBIS Translated Text] San Cristobal de las Casas—The dialogue between the federal government and the EZLN [Zapatist Army of National Liberation] is at its most critical juncture since negotiations were resumed in San Andres in April 1995. The EZLN and members of Conai [National Mediation Commission] and Cocopa [Commission for Harmony and Pacification] agree on this, whereas the government delegation may have some reservations.

Public statements have been compounded by verbal, legal, military, and psychological threats. Together, they have created a tense climate in which no one knows whether a point of no return will be reached or whether they will remain only that, threats.

The Interior (Gobernacion) Secretariat notes that the arrest warrants for the EZLN are still valid and could be acted on if the dialogue breaks down. The EZLN indicates that unless the alleged Zapatists are cleared of the crime of terrorism, they will not return to the bargaining table. They say that they have been deceived, and the government says that they have been misinformed.

Fifteen days before the next scheduled meeting, on 5 June, all indications are that it is unlikely to take place, at least on time. Nevertheless, multiple efforts are being made to prevent its cancellation, though no concrete results are yet to be seen.

Cocopa, Conai, and the government delegation have held separate meetings, among themselves and with Interior Secretary Emilio Chuayfett. The EZLN has met with Cocopa and is in contact with Conai. In the meantime, nongovernment organizations, so-called civil society, are mobilizing at various spots around the country to demand the release of Javier Elorriaga and Sebastian Entzin, the alleged Zapatists who were sentenced on 2 May to 13 and six years behind bars for terrorism, rebellion, and conspiracy.

This sentence was the straw that broke the camel's back, as on 5 May Deputy Commander (Subcomandante) Marcos warned Cocopa in the town of La Realidad about the danger of the dialogue breaking off. On that day the EZLN also announced that the preparations for the Forum on Democracy and Justice, scheduled for 28 May, were being called off.

The civic mobilizations were followed by a legal appeal of the sentence, which was formalized last week. Almost simultaneously, Attorney General Antonio Lozano Gracia reaffirmed his charges against the alleged Zapatists. It was a hard line, on one side, along with political efforts, on the other.

Early in the month the Army announced an "antidrug operation" in the southeast region of the country and reported that marijuana plantations had been destroyed near Oventic, an EZLN area of influence.

The tensions are real, and the risk is permanent.

Critical Days

The parties are in agreement that the next eight or 10 days will be critical to the future of the peace talks, as they will show what the real prospects and chances for progress are. The hope is that during this time there will be signs that the status of the two alleged Zapatists now in jail is being decided.

There are different proposals in this regard as well. Some want a judicial resolution of the case; other prefer a political-judicial solution. Some defend the idea of an amnesty law, while others would like the case dropped. There is no agreement here either, as the deadlines approach. The Judiciary does not seem to be in a hurry, though.

The EZLN has also issued a red alert and complained about military movements in Oventic. Marcos has spoken out against the alleged presence of a Special Forces Unit in San Quintin, something that General Mario Renan Castillo, the chief of the Seventh Military Zone, has denied.

The Army has insisted time and again that there is no tension in the state and that the military movements are normal resupply operations or mobilizations against drug trafficking. Such things are perhaps normal in Chiapas, where military convoys are commonly seen moving along highways.

The federal government is also working "normally." Along with the state government it is organizing meetings such as the one held on 7 May in Tuxtla Gutierrez, which made public the gains achieved in connection with the initial accords that were signed with the EZLN on Indian rights and culture.

The EZLN's advisers fear an assault on Zapatist forces: "They are molding their language to legitimize a political assault on the EZLN, which could extend to a military assault, with most of the public disinformed about what is actually happening," says Julio Moguel, from the coordinating office of Zapatist advisers.

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Whatever trust, whether little or great, the parties had in each other seems to have crumbled.

The parties are straining, tensing up, taking risks, and amid this exchange of messages with declarations, communiques, and signs everyone is uncertain. They do not know to what extent a military confrontation, above and beyond a political one, is possible. In any event, the psychological effect is also being felt. They are having doubts and are thus causing many to tremble.

The danger of a breakdown, of a point of "no return" that could be irreversible and not altogether premeditated, is on everyone's mind, Julio Moguel notes.

It is also a fact that as life goes on in Chiapas, the thermometer keeps rising.

Mexico: EZLN Long-Term Approach, Goals Considered

96CA0181B Mexico City REFORMA in Spanish 13 May 96 p 10A

[Commentary by Sergio Sarmiento, journalist and encyclopedist: "Guajiro Dream"]

[FBIS Translated Text] "Be careful with dreams, which are the sirens of the soul. They sing, we follow them, and we never return" (Gustave Flaubert).

The mass media have focused their attention on the central figures: Deputy Commander (Subcomandante) Marcos and Javier Elorriaga. But this obsession with the principals has caused us to lose sight of the dangers posed by the current stalemate in Chiapas.

Another meeting between Cocopa [Commission for Harmony and Pacification] and the EZLN was canceled. The pretext was the sentences handed down against Elorriaga and Sebastian Entzin. However, this cancellation is merely another sign of the inaction in which the conflict in Chiapas has been mired for some time now.

When there was a real desire to negotiate, agreements were reached with dizzying speed. On 12 January 1994, 12 days after the EZLN uprising, a cease-fire had already been declared. One month later, Manuel Camacho succeeded in bringing Zapatist leaders, including Marcos himself, to the bargaining table. By 2 March 1994 an agreement had already been signed.

This was the EZLN's only serious attempt to negotiate. The assassination of Luis Donaldo Colosio three weeks later changed the rules of the game. The EZLN felt stronger and wagered that the regime would fall. This is why it rejected the 2 March agreements.

The EZLN has sought to make endless negotiations a way of life. It is convinced that the Mexican Government, owing to its internal contradictions, will fall sooner or later. The important thing is to be in a position to fill the power vacuum when it is created. In the meantime, one must be patient.

From a completely different perspective, the government does not feel any need to accelerate impossible negotiations. The February 1995 offensive carried the military option to its limit. The EZLN was displaced from the towns it controlled, and the border supply routes were sealed. Even the Army, which the EZLN had humiliated in the early days of 1994, got satisfaction: the guerrilla commander who had said he had 200 bullets, 199 for the first soldiers who reached his position and the last one for himself, fled without firing a single shot.

Nevertheless, from a military standpoint there is no longer much to be done. It is almost impossible to pursue the Zapatists through the hills and ravines. Even if the troops knew exactly where Marcos was, arresting or killing him would only turn him into a martyr.

While the EZLN and the government have opted for patience, for endless negotiations on matters that do not concern them, Chiapas flounders amid an uncertainty that makes its already extreme poverty even worse.

The only real solution is to promote clean elections and allow a democratically elected government to set the state on whatever course the people choose. But such a solution is unacceptable to the local caciques and to the EZLN itself.

I do not know whether the election of Eduardo Robledo as governor in 1994 was clean enough, but there is reason to believe that it was at least the cleanest election in Chiapas history. Robledo, one of the politicians who was closest to Colosio, the great alliance builder, tried to put together a true coalition government, extending invitations to his own election rival, Amado Avendano, and to Eraclio Zepeda from the PRD [Party of the Democratic Revolution] to participate. Only a broad-based coalition such as this could achieve peace in a state like Chiapas. If the election was not clean, however, then another should be called, instead of maintaining the current uncertainty with a substitute governor.

Elorriaga and Entzin are just another excuse today. Their sentencing does not alter the fundamental situation of the EZLN, nor would giving them amnesty. If they had been found innocent, the EZLN would have sought other reasons to stretch out the negotiations.

The EZLN is not going to resume the war because it knows that it does not have the military capability to do so. But it is not interested in peace either. This is why it

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negotiates in spurts and withdraws intermittently from the negotiations. Its goal is not to reach an agreement but rather to wait until the regime collapses on its own. Marcos would then be prepared to enter Mexico City and fill the power vacuum.

It sounds like a *guajiro* dream, I know, but this is the dream of every revolutionary, the dream that Fidel Castro realized in 1959 when he entered Havana without firing a single shot after Fulgencio Batista fled, the dream of one who is convinced that history will always be on his side.

Mexico: Pemex Director on Exploration Investment

96CA0183A Mexico City EXCELSIOR in Spanish
23 May 96

[Staff report — received via Internet]

[FBIS Translated Text] Oaxaca, Oax., 22 May—The director of Mexican Petroleum [Pemex], Adrian Lajous, reported here that, given Mexico's extraordinary oil wealth, the company will soon be submitting to the Pemex-Exploration and Production Administrative Council a set of new projects "of large dimensions." They will require additional investment funds, in view of the oil industry's obligation to intensify and accelerate its exploratory and development activities, so as to "contribute in a larger proportion to Mexico's economic growth."

During the 34th National Congress of the Association of Petroleum Engineers of Mexico, the official declared that the country has proven hydrocarbon reserves that have enabled it to achieve increasing production levels, with a life expectancy of nearly 50 years at the current extraction rates. Inasmuch as a sizable portion of the production is sold abroad, our country can more freely modulate its extraction level in the event that the reserves should decline beyond a certain threshold. In this connection, he noted that the technological changes in the oil industry's extraction area offer exceptional opportunities for expanding hydrocarbon reserves and production.

He also remarked that hydrocarbon exploration and production activities have begun a new cycle of development, requiring a planning effort to determine their magnitude and expansion rate. He expressed optimism concerning the execution of these tasks, urging petroleum engineers to continue working with the same intensity.

The Pemex director added that the parastate company has recently succeeded in increasing oil production by 200,000 barrels per day, also producing 600 million additional cubic meters of natural gas, compared with last year's figure. At the same time, exploratory activity has been intensified, and its short- and medium-term development will make it possible to generate economic resources "for discovering and exploiting new sources of hydrocarbons during the first decades of the 21st century."

Consequently, in his view, during the next few years it may be possible to observe a gradual, orderly, and sustained expansion in production, which will place greater emphasis on the procurement of natural gas. For this purpose, the fields currently in production will be exploited more intensely, and Pemex will deploy an effort concentrated on the search for new deposits.

Based on the "recognition" of Mexico's extraordinary oil wealth, Lajous Vargas cited, specifically, a strategic plan of Pemex-Exploration and Production, "which entails the adoption of new technologies available on the market, and a new organizational structure. It also requires the allocation of larger investment funds which, this year, increased over 40 percent in real terms, compared with last year's figure."

In this connection, he claimed that the Mexican oil industry ("of worldwide significance owing to its oil-producing provinces") is showing a lag in the application of new technologies. But he pointed out that it is, nevertheless, encouraging to note various types of action that have made it possible to reduce that gap. They include the three-dimensional seismological studies recently conducted, as well as those programmed for the immediate future; the complete studies of deposits, allowing them to be better characterized; the directional and horizontal well modeling; and the low balance drilling. He also mentioned the application of other modern techniques that have helped to reduce costs, "because those savings are being invested in the development of the resources in our subsoil."

The official added that the adoption of new techniques has made it possible to expand the reserves of deposits under exploitation, by increasing recovery factors.

As for the country's proven reserves, expected to last for nearly 50 years, he pointed out that the Mexican Petroleum Institute is certifying them year by year. In addition, more extensive and thorough studies are being conducted periodically, making it possible to evaluate their nature and magnitude.

The main objective of Pemex-Exploration and Production is to maximize, over the long term, the economic value of the assets assigned to it, and to extend this objective to all its activities in general, as well as applying it intensively to the decisionmaking process. He remarked that this "is changing the company's strategies dramatically."

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The governor of Oaxaca, Diodoro Carrasco, commented that Mexican Petroleum and its technicians have the support and confidence of the Mexican people today, as they did 60 years ago, claiming that this industry is a criterion for the promotion of development, equity, and social justice among Mexicans. He asserted that it also constitutes "a guarantee for surmounting the current challenges posed by the transformation, and is an indispensable requirement for ensuring our future."

Heading the petroleum engineers of Mexico at their national congress was their president, Eloy Herrero Sandoval, accompanied by the top-ranking directors of Pemex.

Mexico: Cartel, Army Activity in Tamaulipas Cited

96GE0038A Mexico City PROCESO in Spanish
13 May 96 No 1019, pp 32-35

[Article by Antonio Jaquez]

[FBIS Translated Excerpt] Matamoros, Tamaulipas—Juan Garcia Abrego has been neutralized, but the drug trafficking to the United States is continuing as it was during the Gulf cartel chief's heyday. It is flowing incessantly between this town and Miguel Aleman, on the Texas valley border.

While Garcia Abrego is being tried in Houston, his old stronghold is being disputed by other rings, including that of the Sinaloa native, Amado Carrillo Fuentes, alias "The Lord of the Heavens."

However, there is something new on the scene: the Mexican Army, with patrols that have made large confiscations, but are creating friction with municipal authorities as well as police agencies.

Furthermore, on the Tamaulipas border extending from this town to Nuevo Laredo, the petty smuggling of drugs is thriving, with scores of small groups involved. There is also growing collaboration on the part of local residents, attributed to the economic disaster being suffered in the riverside zone. [passage omitted]

Drugs are continuing to flow to the United States in large quantities, claims Arturo Solis, head of the Center for Border Studies and Promotion of Human Rights [CEFPDH]. Interviewed in Reynosa, Solis claimed that, although Tamaulipas is among the states with the largest numbers of reported confiscations, "it is undeniable that drugs, particularly marijuana and cocaine, but now heroin as well, are still reaching the United States."

He calls attention to the fact that the largest seizures on the border are made on the U.S. side, with the intervention of Customs, the Border Patrol, the Drug Enforcement Administration (DEA), and the Federal Bureau of Investigation (FBI).

He admits that the seizures in Mexico have increased, especially those made by the Army, but indicates that they still fall short of those achieved by the Americans: "They involve tons there, and only kilos here."

Solis adds that, although it is argued that the United States has better drug detection systems, "the fact is that their search methods are not at all complex. I would call their checkpoints weak, especially for detecting large vehicles; and yet they make sizable confiscations. In Mexico, on the other hand, there is surveillance everywhere...and the drugs keep on flowing."

[PROCESO] How do you explain this contrast?

[Solis] It means that there is less collusion with the drug traffic there, whereas in Mexico there is protection from police officials on all levels.

The cases of police corruption sometimes appear on the front pages of border newspapers. In September, Raul Osuna Dominguez charged that Guillermo Sanchez Leon, an agent from the Public Prosecutor's Office in the common jurisdiction, attempted to extort $8,000 from him in return for not following up an alleged complaint against him for the sale of one kg of cocaine.

The charge caused Sanchez Leon to be removed...from Reynosa to Miguel Aleman. Furthermore, the then state attorney, Cesar Ceballos Blanco, sent summonses to the reporters and columnists who had written about the charge made by Osuna Dominguez. In response, the reporters covering the police beat demanded the attorney's dismissal.

Another case: Guillermo Martinez Alvarado, coordinator of the "Texas valley" section in Reynosa's EL MANANA, relates that he published an article reporting on the seizure of approximately seven tons of marijuana in Roma, Texas (on the border with Miguel Aleman). The information was based on bulletins from the U.S. Border Patrol and Customs.

Martinez Alvarado revealed that a Border Patrol helicopter crew had discovered two persons moving packages from a pickup truck into a house. When the helicopter landed, the subjects set fire to the house and fled. The patrol requested reinforcements from the Roma police and the counternarcotics groups. When they arrived, they managed to retrieve seven tons of marijuana, but another three tons was burned. According to the Americans, the drugs had been stored in Miguel Aleman.

"We published this. We referred to the fact that over 10 tons had been brought in by way of the two checkpoints

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(Precos), through which passage is necessary in order to reach Miguel Aleman, and were not detected. It is impossible for a truck carrying 10 tons of marijuana not to be detected arriving at the Rio Grande, not even if only 10 kg were being brought in on each trip...."

When the article was published, Martinez was summoned by the federal prosecutor in Miguel Aleman to make a statement. "What we declared was that we were not police informants, and that we reported that incident based on bulletins, giving copies of them to the prosecutor."

Furthermore, the violence associated with the drug trade in Matamoros and Nuevo Laredo is in contrast to the peacefulness in Reynosa. Solis remarks: "There is no friction here; only petty criminals, whose presence can make the price of the merchandise cheaper, are arrested. Miguel Aleman is another stronghold, but only two deaths occurred there this year. This means that there is no direct relationship between violence and the boom in the drug traffic."

He points out that the violence in Nuevo Laredo is invariably attributed to the "Los Texas" ring. There is an attempt to make them appear "the cause of all the evils that occur in the region. But there are a great many groups not being pursued, as in the case of the 'Los Texas' group at other times, when no one would bother them because they were operating in full cooperation with the police forces."

Solis cautions that in Nuevo Laredo, especially in the riverside zone, an increase is occurring in small-scale contraband:

There is a serious drought in that zone, and most of the land has not been planted. "So, the population is seeking a means of subsistence. Many persons, including children, are known to be engaged in what is called 'morraleo': in other words, smuggling small amounts of drugs. The crisis has forced the residents of some villages, such as Diaz Ordaz, Comales, and others, to become involved in this activity."

Pacts

Garcia Abrego was arrested in January, but the drug business continues to thrive, claims Solis. Before the "kingpin" was arrested, the rumor was circulating that Carrillo Fuentes had arrived in Matamoros in order to expand his networks from the Pacific to this region. There was even talk that the two rings had reached an agreement for cooperation.

Admitting that it is difficult to prove this story, he claims that, in fact, five drug trafficking ringleaders have been identified in Matamoros: Jose "El Campe" Campos, Sergio "El Checo" Gomez, Oscar Malherbe, Antonio "El Comandante" Avila, and Rafael "El Rafles" Olvera, a former Navy officer. Avila is linked with Amado Carrillo, Campos operates on his own, and the others are associated with Garcia Abrego.

Eduardo Valle, who investigated the Gulf cartel when Jorge Carpizo was attorney general, claims that Carrillo Fuentes' group made a pact with that of Garcia Abrego in June 1994. The pact was reinforced about nine months ago: "It is fact that the two cartels divided the area."

Valle notes that, in terms of operations, Garcia Abrego's arrest "did not have a strong impact." He claims: "The most important event in this respect was the recent blow dealt to Horace Leblanc's group, in Houston, because the structure of an entire network was dismantled. On the other hand, the Gulf cartel is still intact, with Malherbe and Gomez as operators, Francisco Guerra ('Don Paco') as chief, and the Guerra Velasco brothers as political protectors."

The fact is that, after Garcia Abrego's downfall, the rings and their police protectors began to clash in Matamoros:

From January to date, 11 executions have occurred, linked to the dispute for control over the drug traffic in the area. [passage omitted]

While the drug business and public insecurity are on the rise in Tamaulipas, Governor Manuel Cavazos Lerma is allocating more funds to bolster his "image," according to a recent charge made by the local congressman, Juan Antonio Guajardo Anzaldua, from the Party of the Democratic Revolution.

In fact, the disbursements budget for 1996 shows that 368,000 pesos are to be spent on material and equipment for public security, 34.7 million for promoting the state government, 1.7 million for photographic equipment, and 4.6 million for the "news media."

[Box, p 33]

Reynosa, Tamaulipas—For the past several months, under the pretext of reinforcing the battle against the drug traffic and organized crime, the Army has assigned troops at the region's highway checkpoints. However, it is also patrolling the streets of the towns in the so-called riverside zone.

Furthermore, as the Center for Border Studies and Promotion of Human Rights, with headquarters in this town, has charged, the military have made searches, raids, and arrests. This action is considered illegal by that agency, which sent a letter to President Ernesto Zedillo.

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The CEFPDH president, Arturo Solis, recalls that, at a meeting held recently in Yucatan by 46 human rights agencies in various parts of the country, it was concluded that Mexico is experiencing a "low intensity" war. The agencies claimed that, "the increasing military presence is just the tip of a militarization that could occur when that force exceeds its bounds, as is beginning to happen on the Tamaulipas border." [passage omitted]

The military also have had friction with the Federal Judicial Police [PJF]. Solis notes that the Army recently seized a five-ton shipment of marijuana apparently escorted by PJF agents: "The reports that we have received indicate that, in fact, the truck carrying the drugs had been followed from Michoacan, in order to discover the person to whom they were to be delivered. However, with the military intervention, only the driver was arrested."

He remarks that, at the beginning of the year, soldiers seized seven tons of marijuana being carried on a truck enroute from Monterrey. The shipment later arrived at a house in a residential district, where compromising documents were found. Nevertheless, "neither the troops nor the federal agents who arrived later picked up the papers which, among other things, identified those to whom the drugs were to be delivered and those bribed."

He makes the accusation that, "the owner of those drugs is being protected. He is none other than Jorge Vazquez Perez, alias 'El Chichi,' who made his debut during the time of the undercover cops at the Autonomous University of Tamaulipas. He is one of the leading 'narcos' here in Reynosa, and has operated for many years without any problems."

In the letter to Zedillo and the secretaries of government and national defense, the NGO [nongovernment organization] headed by Solis charged that the "police informers" who had been aiding the Federal Judicial Police are now working for military intelligence. They are "protected by credentials issued by the Rural Police, and are carrying heavy caliber weapons."

Mexico: 3 Tons of Ephedrine Seized at Airport

96GE0038B Mexico City EXCELSIOR in Spanish 16 May 96 p 30A

[Article by Rafael Medina and Roberto Melendez]

[FBIS Translated Text] Yesterday, over three tons of ephedrine, a chemical precursor used by international drug trafficking rings to process cocaine and prepare amphetamines and laboratory drugs, was seized at the capital airport by Federal Judicial Police agents.

Despite the secrecy maintained regarding the operation, which ended yesterday, it was confirmed that the ephedrine confiscated at the air terminal had been discovered in the storage facilities of a well-known airline covering the Spain-Mexico route. It was revealed that the chemical precursor found by the agents arrived in our country from "a certain city" in Spain. Furthermore, based on the investigations conducted, the authorities determined that the shipment worth millions is associated with those discovered at the same air terminal on 10 and 25 April. On those occasions, the federal agents put 400 kg of ephedrine and two tons of methamphetamine, respectively, at the disposal of the Public Prosecutor's Office.

Mexico: Record Pill Seizure in Baja California

96GE0038C Mexico City EXCELSIOR in Spanish 19 May 96 p 27A

[Article by Rafael Medina and Roberto Melendez]

[FBIS Translated Text] The largest discovery and confiscation of psychotropic pills achieved by the Attorney General's Office [PGR] in the battle against the drug traffic was made yesterday by Federal Judicial Police [PJF] agents in the State of Baja California. There, they seized 750,000 units, worth $112 million, which were being transported in boxes supposedly containing various medicines.

The PGR's local agency in that state, headed by Antonio Ibanez Cornejo, reported that Abelardo Monsivais de la Pena, who was driving the truck with State of Nuevo Leon registration PH60216, is at the disposal of the Federal Public Prosecutor's Office. Hundreds of bottles containing 750,000 toxic pills were discovered in his vehicle.

The truck in question, also at the social representative's disposal, was intercepted at the checkpoint located on the San Luis/Rio Colorado-Mexicali highway. The police claimed that the operator and presumed drug dealer did not put up any resistance.

Based on statements made by the subject now indicted by the Federal Public Prosecutor's Office, the police authorities, headed by the force's deputy commissioner, Horacio Brunt Acosta, managed to establish that the psychotropic pills, prepared from ephedrine, were to be stored at a drug collection center in the town of Tijuana, owned by the criminal group to which Monsivais de la Pena belongs. The investigations are being continued there and in the States of Sonora and Nuevo Leon. The PJF general director, Americo Javier Flores Nava, was informed that the criminals had planned to smuggle the shipment into California.

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Costa Rica

Costa Rica: Further on Resignation of DIS Director

96P20429A San Jose TICO TIMES in English
24 May 96

[Article by Christine Pratt — received via Internet]

[FBIS Transcribed Text] Amid mounting evidence that he maintained an "irregular" relationship with a private security company under investigation for espionage, the director of the Casa Presidencial's intelligence force resigned this week, claiming his named had been cleared.

According to the local press, former director of the Casa Presidencial's Intelligence and Security Police (DIS), Mario Soto, sent a letter of resignation May 22 to his immediate boss, Vice president Rodrigo Oreamuno.

President Jose Maria Figueres suspended Soto Feb. 13 pending a criminal and governmental investigation into his relationship with ASTUR Security S.A., a Costa Rican corporation created by former Spanish policemen, currently suspected of illegal espionage and extortion (TT, Feb. 16).

In his letter, Soto called for an overhaul of the DIS and said he was resigning to facilitate restructuring plans. Until his resignation, no official plans had been mentioned to re-vamp the now controversial agency.

He also wrote that the recently released conclusions of a three-month investigation conducted by Attorney General's office proved that he wasn't responsible for DIS/ASTUR wrongdoing. He said he considered himself "exonerated."

But in spite of Soto's upbeat sentiments, the Attorney General's report does anything but clear him of guilt.

The report is the 35-page result of a three-month investigation by a special commission of five attorney generals. It was delivered to Figueres' office May 16.

The report deems "imprudent, irregular and inconvenient" many aspects of the relationship between ASTUR and the DIS while Soto was at the helm.

One of ASTUR's former employees, Minor Masis, was sentenced to 42 years in prison May 6 for murder and rape committed as a former police lieutenant during a 1992 drug operation in the southern Talamanca mountains (TT May 10).

Masis and Felipe Fernandez, police officer and also a former ASTUR employee, were indicted this month for allegedly conducting illegal stakeouts and eavesdropping activities while on the ASTUR payroll. Some of their alleged targets include former President Rafael Angel Calderon, former Minister of Public Security Luis Fishman and businessman Roberto Federspiel (TT, May 17).

The attorney generals' report strongly implies negligence on Soto's part as director of the DIS, but declines to suggest corrective action against Soto or any other DIS official, relegating the responsibility instead to the Executive Branch.

With Soto's resignation Oreamuno said the subject was "closed."

It was unclear at press time how Soto's resignation would effect the possible indictment, should the Public Ministy charge him with any crimes committed as DIS director.

Among the commission's harshest criticisms in the report include:

—ASTUR's illegal duty-free import of surveillance equipment through the Juan Santamaria International Airport with assistance of DIS agents William Elizondo and Roblin Quesada. Both allegedly acted under orders of DIS chief of operations Gustavo Chaverri, who was designated by Soto to "maintain diplomatic relations" with ASTUR.

—Soto's authorizing ASTUR, allegedly due to the absence of suitable DIS equipment, to "test" their bug-detecting devices during "sweep" March 1, 1995 of the central office of the now defunct Banco Anglo Costarricense in San Jose. The commission maintained that "regardless of the justification, the nature, the importance or the confidentiality surrounding the (sweep), it demanded to be carried exclusively by the DIS. It wasn't the right time or place to be 'testing' the equipment of a private security company owned by foreigners."

—The DIS loaning ASTUR in March 1995 five Smith and Wesson .38 revolvers and two 12-gauge shotguns, supposedly for training purposes. The commission report cited the Firearms Law in effect at the time, which clearly prohibited public employees from loaning firearms to entities or groups not authorized by law to have them.

—A study conducted by ASTUR "absolutely free" of the Juan Santamaria International Airport's security flaws. Soto testified that he had never seen the study, and it is unclear who ordered it. To conduct the study, ASTUR was given free access to restricted zones. The commission condemned the DIS for granting a private security company with interest in acquiring government contracts free access to the airport — a strategic point of state security.

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Nicaragua

Nicaragua: Presence of U.S. INS, DEA Officials Denied

PA2905222796 Managua EL NUEVO DIARIO in Spanish 29 May 96 pp 1, 8

[Report by Vladimir Lopez]

[FBIS Translated Text] At least 30 U.S. officials from the Immigration and Naturalization Service, INS, and the Drug Enforcement Agency, DEA, are currently in Nicaragua as part of an unprecedented operation aimed at intercepting the flow of illegal aliens and drug traffickers toward the United States.

A spokesperson for the U.S. Embassy in Managua confirmed the presence of the U.S. officials in Nicaragua. Although no mention was made of the number of agents involved, it was disclosed that they were all part of an operation code named "Simultaneous Interruption II."

The U.S. Embassy spokesperson added that the operation began last 20 May and is scheduled to conclude on 19 July. "Similar operations are also taking place in Guatemala, El Salvador, Honduras, Nicaragua, Bolivia, and Brazil."

An official from the U.S. Information Service, USIS, pointed out that the operation "Simultaneous Interruption II" entails INS agents training and providing technical assistance to local officials with the objective of interrupting the flow of illegal aliens to the United States."

Illegal Aliens Associated With Drug Traffickers?

Commander Eduardo Cuadra, deputy director of the National Police, recently claimed that the flow of illegal immigrants may be linked to organized crime and international drug trafficking.

When asked about the presence of the gringo agents, Commander Cuadra stated that he was unaware of the reports, but also pointed out that it is routine practice to have a certain degree of coordination between the immigration services of several countries.

It is important to stress that since the beginning of the year, the police have been frequently reporting arrests of illegal South American and Asian aliens in several regions of the country.

It was disclosed, yesterday, that on Monday 27 May, seven Peruvian illegal aliens traveling from the island of San Andres had been arrested on Corn Island.

The arrested aliens are: Ricardo Lerena Campos, Paulino Leon Perez, Gerson Condor Hualpa, Rufino Solis Artola, Jose Diaz Qulstpe, Juan and Luis Garcia Diaz.

Government Ministry Refrains From Saying Anything

EL NUEVO DIARIO attempted to obtain information from the Nicaraguan Government with respect to the presence of U.S. agents in our country. As is customary, however, there was no one who could provide any information at the Ministry of Government (Mingo).

Previously the Mingo's Public Relations Department had denied, through the local press, the presence of U.S. immigration inspectors in Nicaragua.

On that occasion, BARRICADA reporter Janelys Carrillo had reported that Cesar Delgadillo, director of the Immigration and Aliens Directorate, had signed an agreement "with the U.S. consul in our country."

"Oddly enough," Carrillo's report adds, "the Ministry of Government, through its Public Relations Department, denied that such a document had been signed.

What will the Mingo's public relations officials now claim once they find out that U.S. officials themselves corroborated the information?

Nicaragua: Navy Official on U.S. Searches of Fishing Boats

PA2905213796 Managua BARRICADA in Spanish 29 May 96 pp 1, 10

[Report by Dorothy Whittaker Torrente]

[FBIS Translated Text] Bluefields, South Atlantic — Two fishing boats with Nicaraguan flags that were working in the South Atlantic were illegally searched by crew members of a U.S. frigate on 20 and 23 May, reportedly because they were looking for drugs. The report was filed by the crews of the fishing boats at the harbor master's office in Corn Island.

According to the report filed by Mr. Josceline Hunter, captain of the Promar 57, he left Corn Island on 20 May going to gather his nets in the fishing banks that are located 38 miles east of Barra de Rio Grande. Two days later his boat was boarded by seven military officials, who were wearing blue uniforms and traveling in a rubber boat.

Hunter said that the U.S. military officials were under a woman's command and carried light weapons. He saw a frigate with two helicopters a few miles away.

The Nicaraguan fisherman added that the military officials raided his boat without a search warrant and left everything in a mess. Hunter considers the action an abuse and violation of our national sovereignty.

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The Sea Wolf was boarded in the same manner at 1600 on 23 May, while fishing 70 miles northeast of Puerto Cabezas.

Navy Lieutenant Julio Chamorro, chief of the Atlantic Naval District, said Nicaragua has not authorized the U.S. frigate to conduct these searches.

Moreover, the military commander also said that it is known that a four-motor DC airplane without identification flew over various fishing boats that were working 40 miles east of Barra de Rio Grande.

It was also known that a Cessna airplane has been carrying out unusual night flights over the South Atlantic coast, presumably trying to locate drug packages dropped over land.

Nicaragua: Government, Electoral Officials Attacked

PA3005035596 Panama City ACAN in Spanish 0051 GMT 30 May 96

[FBIS Translated Text] Managua, 29 May (ACAN-EFE) — A government source has reported that a group of criminals today attacked a vehicle transporting officials of the Supreme Electoral Council (CSE) and the Government Ministry. No one was hurt.

Deputy Government Minister Frank Cesar told a Managua radio station that the attack occurred at 1600 (2200 GMT) in Wiwili, Jinotega Department, in northern Nicaragua. "This is a reprehensible and reproachable incident, which has taken place while we are getting ready for a civic party (the elections)," Cesar said after confirming that no one was killed or injured as a result of the incident.

The high-ranking official stressed that, in light of the armed groups' actions, "we need a stronger presence" by Army and police troops to offer the appropriate security during the electoral process, which will culminate with the 20 October elections.

Because of the actions of these armed groups, the CSE could not register citizens in 26 municipalities in northern and central Nicaragua.

CSE President Rosa Marina Zelaya today reported that, in these municipalities, the registration of approximately 220,000 citizens who live in conflict-ridden regions will be conducted over the next two weekends so that they will be able to cast their votes in October.

At a meeting with Nicaraguan media directors, Magistrate Zelaya affirmed that the presence of armed groups "is one of the problems" the electoral process "has faced" in northern Nicaragua.

However, the CSE president described the country's electoral process as "highly satisfactory, despite certain problems." Another of the problems Zelaya mentioned is the finances. She said that $14 million are needed to conduct the entire electoral process. It is expected that the international community's aid will finance this deficit.

Nicaragua: Chamorro Resting Due to Neuromuscular Disorder

PA2905204596 Managua Sistema Nacional de Television Network in Spanish 0130 GMT 29 May 96

[From the "National Newscast"]

[FBIS Translated Text] The Nicaraguan Presidency has announced that President Violeta Barrios de Chamorro should rest at home this week as per doctor's orders because of a neuromuscular disorder following her recent trip to Asia. She should be back at her presidential office on 3 June, but Chamorro is taking care of the state's most important affairs at her home.

Panama

Panama: President Closes 'Panama 2000' Meeting

PA2905201696 Panama City Circuito RPC Television in Spanish 1730 GMT 28 May 96

[Closing speech by President Ernesto Perez Balladares at the Panama 2000 Conference at Coronado Beach, Panama — live]

[FBIS Translated Text] Dr. Arturo Hoyos, president of the Supreme Court; Magistrate Dennis Allen, president of the Electoral Tribunal; former Colombian President Belisario Betancur; Fernando Zumbado, regional Latin American and Caribbean director for the UN Development Program; UN Representative in Panama Mrs. Ligia Elizondo; civilian society representatives; diplomatic corps members; media representatives; and friends:

Today cannot but be the result of yesterday's importance. This has been a great event for Panamanian democracy and for the future of the Panama Canal. The organizers of this event and those who have attended did not intend the debates to result in unanimous agreements on the Canal and its alternatives or governability in the future. It has been an encouraging experience, precisely because we have been able to talk about the issues that unite us and also to express, face-to-face and frankly, our differences.

The Canal issues can never be discussed behind the backs of the political parties or civilian society. No government, regardless of how legitimate it is, can assume in the future that it holds the monopoly on truth

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with regard to this issue, and it cannot ignore the views others have to offer on it.

That is why I have requested that the bill that creates the Panama Canal Authority be disseminated, although I am fully aware it is not totally complete and does not even include all the points agreed upon with the workers that were conducive to guaranteeing that their situation will not deteriorate when the Canal is turned over to Panama.

I did this because I believe we should not lose the opportunity offered by this meeting to begin studying this proposal and to make sure that the debate that must necessarily take place will be more productive. However, this does not mean that the government will cling obstinately to the text that will be presented, much less, that it will not be subject to changes.

God willing, a meeting like this will take place very soon so that we can talk at a negotiating table and not carry on a monologue in the media, and so that the project that is submitted to the Legislative Assembly will be the result of broad and exhaustive consultations.

I want to reiterate that I believe the Panama Canal issue is over and above all political parties. When many of you here return to Panama City this afternoon, you will do so to discuss other matters, and assume diametrically opposed positions. I know that the same protagonists of the Panama 2000 Convention that are shaking hands here, and are pleased with the work we have accomplished, will be confronting each other on other issues within a few hours.

That is why the dialogue which concludes now, or is suspended until a future occasion, constitutes a significant landmark in the establishment of our national objectives. I am very pleased with the contents of the final resolution.

I would like this final resolution to remain for the Presidency a message to future leaders, that on a day in May 1996, Panamanians were able to stop, put aside our differences, and advance toward a common goal.

What better message could we give the Canal users of the future than to assure them that no matter who governs in the year 2000 the Canal will always be far removed from the bureaucratic desires of political parties? We have given Canal workers much encouragement with our collective sentiments and solidarity and with an unequivocal decision to respect their rights and working conditions.

We have set Panamanian youths a good example by showing them through our actions that, although we only dealt with the Panama Canal issue, we are able to carry out a high-level, intense dialogue, and listen fairly to different opinions.

Dialogues such as this strengthen our country and fill all its children with pride.

I reiterate to the organizers my most sincere appreciation, and to all participants of the Panama 2000 Conference, I extend my most profound consideration for the maturity and nobility you have shown.

Thank you very much.

Panama: Officials Deny Visas to Indians, Chinese, Arabs

PA2805220596 Panama City ACAN in Spanish 1914 GMT 27 May 96

[FBIS Translated Text] Panama City, 27 May (ACAN-EFE) — In order to help stem the flow of illegal aliens who use Panamanian territory as a "stepping stone" to reach the United States, Panama does not grant visas to people from India, China, and Arab countries, and has stepped-up requirements for people from the Dominican Republic.

Misael Cordoba, chief of the Investigations Office of the Directorate of Immigration, disclosed to ACAN-EFE that between January and April 1996, more than 200 undocumented individuals were deported, mainly Dominicans, Colombians, Chinese, Peruvians, and Nicaraguans.

Of the 96,610 foreigners who entered Panama between 1988 and 1995 with proper documentation, at least 14,900 have remained in this country to live.

Misael Cordoba explained that most of the Dominicans who enter Panama fulfill the requirements, including economic good standing, but 90 percent of Dominican women remain to work as prostitutes.

At least 70 Dominicans, who entered legally, were deported this year together with 46 Colombians, 19 Chinese, 12 Peruvians, 10 Nicaraguans, eight Jamaicans, seven U.S. citizens, seven Ecuadoreans, five Haitians, four Costa Ricans, and four Salvadorans.

The authorities do not know how many foreigners have entered the country "without papers" and how they did so, but know that many of them have paid up to $25,000 to networks that traffic undocumented people.

The chief investigator, who showed ACAN-EFE in his office maps and routes, pointed to Ecuador as the receiving country for undocumented people who arrive from Europe to America on their trek to the United States.

Mostly Chinese, Indians, and Arabs, board somewhere in Europe, ships that are chartered by traffickers. These

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end up anchoring in Ecuadoran waters after crossing the Atlantic.

Misael Cordoba explained that once in Ecuador, the "mafias" take the illegals to Colombia through the Ipiales border post. They are then split into two routes to Panama, one on the Pacific side and the other on the Atlantic.

These routes use the Colombian cities of Cali, Cartagena, Barranquilla, and the port of Buenaventura and the Darien jungle area in Panama, where access is gained after about 14 hours of travel by speedboats through rivers.

He disclosed that in Darien, where the presence of Colombian "narcoguerrillas" has been reported, the undocumented travelers have opened paths through the jungle to dodge Panama's border post in Puerto Obaldia.

"The last group of about 10 Chinese whom we arrested last week, landed in this capital's Anayansi Park at high tide," the immigration investigation chief recalled.

Misael Cordoba admitted that the number of illegal aliens in Panama has increased, many of whom arrived in the country fleeing from economic and social problems in their countries of origin.

Panama's Immigration Director German Gil Sanchez, admitted in a news conference that this is a business that yields "enormous" profits, in which many of the undocumented aliens pay as much as $25,000.

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Argentina

Argentina: Di Tella 'Confident' of UN Support on Falklands

PY2905165696 Buenos Aires TELAM in Spanish 2015 GMT 28 May 96

[FBIS Translated Text] Buenos Aires, 28 May (TELAM) — Foreign Minister Guido Di Tella was confident today that the firmness of the Argentine stance will succeed this year during the UN decolonization committee's review of the sovereignty dispute with the United Kingdom over the Malvinas Islands.

The foreign minister was asked about the UN decolonization committee's eventual decision vis-a-vis a claim raised by the Kelpers, involving the "self-determination" principle.

Upon responding to questions raised by the journalists after delivering a report in the Senate, the foreign minister announced: "The Argentine stance is solid and will be supported."

Di Tella said: "We believe that, even though (self-determination) is a great principle, it must be applied together with the principle of territorial integrity. We believe that the negotiations with the United Kingdom are of a bilateral nature, and do not involve third parties."

The minister recounted that this year Argentina will go to the UN decolonization committee with "three petitioners, who are very solid people: Luis Vernet, a descendant of the first Malvinas Islands governor; Deputy Ricardo Patterson (UCR-Santa Cruz) [Radical Civic Union-Santa Cruz Province]; and a boy who was born in the Malvinas Islands and later evicted over his pro-Argentine stance."

Argentina: Sovereignty of Patagonia Seen Threatened

96SM0316A Buenos Aires LA PRENSA in Spanish 14 May 96 p 11

[Article by Domingo Sabate Lichtschein: "Condominium Over Our Patagonian Ice?"]

[FBIS Translated Text] *The proposal to create a binational ecological park in the Patagonian icefields is remarkable. The initiative would grant Chile rights of sovereignty in a region where it has none, since it is all Argentina.*

Argentines may have been surprised recently by the proposal by an unknown organization in Cordoba, the Foundation for the Environment (reported in LA PRENSA on 25 April 1996), which called for the creation of a "binational ecological park" in the Patagonian ice fields, usually referred to as continental ice. The proposal was offered, ostensibly, as a means for the conservation of this great source of potable water that is enclosed in the Patagonian ice. But it also intrudes into the political area.

The first point to be noted is that, if the proposal has as its purpose the conservation of this reserve of uncontaminated water, this is already duly assured by our government. It was declared a natural preserve by means of law No. 13,895 in 1937, and in 1945 the national park The Glaciers was created, and in 1952 the National Institute of Patagonian Continental Ice was established. Conservation is duly enforced by this institute (which has constructed several refuges there) and by officials of the Province of Santa Cruz. In a sense, this reserve of water also has protection of an international nature, as The Glaciers National Park has been included in the UNESCO's list of the world's patrimony, under the Convention for the Protection of World Cultural and Natural Patrimony of 1972, having been included at the meeting in Sydney in 1981.

Inadmissible

What is most remarkable is that, according to the press report, the proposal does not cover all of the Patagonian ice. It does not include the approximately 18,500 square kilometers that were granted to Chile—in the distribution of the treaty of 23 July 1881—but only what was granted to Argentina in that division and which was the subject of the agreement of 2 August 1991. According to the report in LA PRENSA, the proposal states that it seeks to "guarantee the sovereign rights of both countries" in that area, when in fact Chile has no rights at all there, because the area, in its entirety, is Argentine territory, according to the border treaties in force. The project refers to these icefields of ours as a "shared resource," which is intolerable for Argentina, and says that "administration would be the responsibility of an Argentine-Chilean mixed technical commission," which would tend to establish an international condominium over the area.

In the language of international law, a condominium is the status of a territory that is subject to the joint sovereignty of two or more states. Strictly speaking, to adapt it to the language of international law, it would be preferable to use the term co-sovereignty or joint territorial responsibility. But this special situation is little used today in the field of international relations and creates serious problems. One existing case is that of the Isle of Pheasants in the border channel of the Bidasoa River, between Spain and France. (The condominium of the Anglo-Egyptian Sudan disappeared

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in 1956 with the independence of Sudan; that of the New Hebrides, between France and Australia, which succeeded to Great Britain, disappeared in 1980 with the creation of the State of Vanuatu.) Some opinions also regard as a condominium the juridical situation produced by the Antarctic Treaty of 1959, although other opinions disagree.

Serious Consequences

One of its consequences is that the creation of an international condominium implies the reciprocal recognition of the rights of sovereignty of all those who participate. If our government were to accept a condominium over the icefields in the area located within the borders of the treaty of 23 July 1881 (a line of high hills that separate the waters) and that produced by the agreement of 2 August 1991 (a line that goes eastward along lesser elevations and along the interior of the Atlantic slope), it would be recognizing Chile's rights over that area. This would not only constitute a serious restriction on our national sovereignty, but also approval of the unfortunate agreement of 2 August 1991, which handed over to Chile a large part of our Patagonian ice. Because the condominium brings with it the right to divide that condominium, Chile could demand that division at any time. This could produce a new dispute with regard to the procedure for dividing the condominium. And with this division, Chile would remain as the exclusive sovereign over another portion of our territory.

That is where this idea of a binational ecological park would lead, which does not seem an ecological defense, but rather an artifice created by collaborators of our Ministry of Foreign Relations to obtain the approval of the Argentine-Chilean agreement of 2 August 1991, blocked by the patriotism of a few legislators from the government majority and the opposition. This has been inscribed in the history of give-away policies of Argentine governments toward Chile's claims.

Argentina: Varying Reports Reveal Arms Sale to Bolivia

PY2905155396 Buenos Aires CLARIN in Spanish 28 May 96 p 4

[Report by Daniel Santoro and Javier Calvo]

[FBIS Translated Text] Julio Garret Aillion, Bolivian ambassador to Buenos Aires, has confirmed to CLARIN that the Bolivian Government asked the Argentine Government to clearly state that Bolivia "did not purchase" $51 million worth of arms from Military Industries in 1992.

The Bolivian request is due to the report that secret presidential Decree 1633 of 1992 authorized Military Industries to sell to Bolivia 8,000 FAL's [light automatic rifles], 18 155-mm cannons, 2,000 automatic pistols, 211,000 hand grenades, 3,000 Pampero rockets, 30,000 rifle grenades, 3,000 anti-personnel mines, 60 mortars, and several million rounds of ammunition of diverse calibers.

This decree, and all other decrees on arm sales since 1983, were made public by Chief of Cabinet Jorge Rodriguez at the beginning of the month in an attempt to attenuate government responsibilities in the illegal sale of arms to Ecuador and Croatia and reveal operations authorized by the Radical (Radical Civic Union, UCR) government to Iran between 1983 and 1989.

The decree in question is similar to others that permitted the illegal shipment of arms to Ecuador and Croatia.

Garret Aillion said that last week he met with Foreign Minister Guido Di Tella, who assured him that those arms "were not purchased by Bolivia or any other country." Bolivian diplomats do not want the name of their country linked with arms trafficking.

The Bolivian Government, however, started "an investigation" to determine whether there was any type of negotiations that prompted the Argentine bureaucratic machinery to produce the decree that was signed by President Menem.

Obscure Points

Spokesmen for the administration of Jaime Paz Zamora, Gonzalo Sanchez de Lozada's predecessor, who was in power at the time of the alleged operation, agreed with Garret Aillion and told CLARIN in La Paz that "our government only purchased $4 million worth of arms from China and nothing else."

At the time the Bolivian ambassador was making these remarks, government sources were explaining, first, that the Bolivian request for clarification "was not a complaint," and then giving CLARIN a report with various obscure points. "The operation was not finished," they said.

According to the official report, Military Industries only sent to the Armed Forces Corporation for Bolivian National Development (Cotadena) arms "worth some $100,000, but then the operation stopped because the buyer had financial problems." Bolivian military sources consulted by this newspaper explained, however, that Cotadena "did not purchase any arms in its 20 years of existence because the task is a responsibility of the Defense Ministry Acquisitions Department." Cotadena has the same function in Bolivia as Military Industries in Argentina.

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In view of the "Bolivian concern," the Foreign and Defense Ministries are exchanging information to find out what really happened in order give a definitive answer. They are also trying not to reignite the confrontation between Di Tella and Defense Minister Oscar Camilion with regard to the cases of Ecuador and Croatia.

Questions

The official explanation for the Bolivian operation has left several questions as to whether the arms really left the country.

— Why was Decree 1633 not annulled if it is true that the operation was aborted? Secret Decree 103 of 24 January 1995, which permitted the shipment of arms to Ecuador, was "suspended" through another decree three months later.

— If there was a shipment of arms for $100,000, why is the operation not registered in the National Customs Office report sent to the justice department at the end of April 1995? This report includes a very itemized list of the shipment of 6,500 tonnes of arms and ammunitions between 1991 and 1994 to "Panama and Venezuela," which in fact were shipped to Croatia and Ecuador.

— Curiously, the numbers of FAL's and cannons mentioned in the 1992 decree are equal to what was shipped to Ecuador and Croatia last year.

— Besides, at the time of the alleged operation, Bolivia was facing an acute economic crisis and it could hardly finance such a large operation. If the government was aware of Bolivia's insolvency, why did it start the sale process?

Secret Decree 1633, the basis of the diplomatic problem with Bolivia, was signed by President Carlos Menem, Economy Minister Domingo Cavallo, Foreign Minister Guido Di Tella, and then Defense Minister Erman Gonzalez and Labor Minister Rodolfo Diaz. The decree was signed four months after Menemist entrepreneur Luis Sarlenga — the first person indicted in the case of the shipment of arms to Ecuador — took over as trustee at Military Industries.

Argentina: Buenos Aires Mayoral Candidates Listed

96SM0317A Buenos Aires LA PRENSA in Spanish 13 May 96 p 2

[FBIS Translated Text]

Eleven Candidates Register for First Mayoral Election

Eleven candidates for mayor and 16 slates of would-be councilmen were registered last night with the Electoral Court to run in the first direct mayoral elections in the history of Buenos Aires, which will be held on 30 June.

The Justicialist Party (PJ) registered the ticket of Jorge Dominguez and Ana Kessler, with Carlos Ruckauf as the top candidate for councilman, followed by Miguel Saguier, Ines Perez Suarez, and economist Martin Redrado.

The UCR [Radical Civic Union] ticket is headed by Fernando de la Rua and Enrique Olivera, with Miguel Angel Inchausti running for the city council, followed by the rector of Buenos Aires University, Oscar Shuberoff, and Elsa Kelly.

New Leadership nominated the ticket of Gustavo Beliz and Guillermo Francos, with Patricia Bullrich as the first candidate for the council. The Center Alliance will be backing the bid of the former favorite son of the Menem faction, Beliz, but with Federico Pinedo heading its own complementary slate.

Just minutes before the legal deadline, the Front for a Country in Solidarity (Frepaso) registered Norberto La Porta as a mayoral candidate, Anibal Ibarra as candidate for deputy mayor, and Senator Graciela Fernandez Meijide as first councilwoman, followed by criminologist Eugenio Zaffaroni and Nilda Garre.

The Progressive, Development, and Retirees Front and the Solidarity Party are backing the UCR ticket but running their own candidates for the council, with Rafael Martinez Raymonda and Luis Vito heading their respective slates.

Left and Right

The Popular Left Unity Front will be running a ticket headed by Carlos Zamorano and Antonio Sofia, with Marcelo Parrilli as its candidate for the council.

The Electoral Court will have to decide which of the two slates that the Ucede [Democratic Center Union] submitted will represent the party. The slate sponsored by Julio Crespo Campos as a council candidate supports the PJ ticket for mayor, while the other faction is running its own candidates for mayor: Fernando Bustelo and Fernanda Ferraro.

The Humanist Party also officially registered the ticket of Lia Mendez and Liliana Ambrossio (the same one it ran in May 1995 in the presidential election) for the mayoral race, with Luis Amann as its candidate for the council.

The PJ, meanwhile, received the backing of the party called Retirees Political Power, whose ballots will bear the names Dominguez and Kessler, with Torcuato Fino heading the slate of councilmen. The Socialist Workers

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Party has registered the Susana Sacchi-Gustavo De Biase ticket and Cristian Castillo.

The Authentic Socialist Party registered Santos Russomano as its mayoral candidate and Cesar Fernandez to head its slate for the council. The MAS [Social Affirmation Movement] nominated Laura Enda Marrone for mayor and Mario Larroca for first council seat. Lastly, the Worker Unity Front-Labor Party registered Pablo Rieznik as its mayoral candidate and Sergio Villamil as the head of its city council slate.

On 31 May the voter rolls will be distributed and displayed, the official ballots will be approved, and the polling-place sites will be determined; on 10 June, polling-place officials will be appointed, and on 15 June the polling places and the officials will be made public.

The Four Front-Runners

De la Rua (UCR)

He criticizes the borrowing by the current city government and proposes a new financial arrangement under which the national government would assume some liabilities. Among other things, he would regulate the hypermarkets, as he wants to keep small businesses going.

La Porta (Frepaso)

He proposes shrinking the bureaucracy, eliminating unnecessary spending, and reordering the budget. Frepaso will call for a three- or four-point increase in the federal revenue-sharing allocation to the city.

Dominguez (PJ)

He promised not to raise taxes and to fight the new exceptions to the city council code. He says that he will veto without hesitation any request for an exception coming from the city's future legislative body and that he will reduce environmental pollution.

Beliz (New Leadership)

He has said that he will create 33,000 jobs a year and cut the unemployment rate from 13.3 to 8 percent. He will broaden the coverage of unemployment insurance and promote tourism as an indirect source of jobs. This proposal includes job training.

The Others

The other candidates for mayor of Buenos Aires are: representing the Popular Left Unity Front, Carlos Zamorano; Humanist Party, Lia Mendez; Authentic Socialist Party, Santos Russomano; MAS, Laura Enda Marrone; Worker Unity Front-Labor Party, Pablo Rieznik, and the Socialist Workers Party, Susana Sacchi.

The Ucede has registered two slates. One supports the PJ mayoral ticket, and the other has Fernando Bustelo running for mayor.

The Justicialist Party received the support of Retirees Political Power, and the UCR is backed by the Progressive, Development, Retirees Front and by the Solidarity Party.

Charges and Denunciations

The four candidates for mayor of Buenos Aires who are leading in the polls leveled charges and blasts at each other again over the weekend, thus heating up the campaign that has 48 days to go.

During the ceremony marking the start of work on Ricardo Gutierrez Children's Hospital in this city, the current mayor and PJ candidate Jorge Dominguez aimed his barbs at the UCR candidate, Fernando de la Rua, asserting that "he has been a candidate since 1973."

"As he begins clarifying his proposals, such as to invest in heliports for hospitals, people are realizing that in their own self-defense they have to vote for us" Justicialists, he said.

Continuing his attack, Dominguez criticized the campaign of New Leadership's candidate, Gustavo Beliz, comparing it to the Nazi propaganda strategy that was based on the theory that a lie repeated a thousand times would be seen as the truth.

"This is part of a campaign that mankind fortunately crushed in 1945," Dominguez went on to say, further comparing Beliz to the Nazis. Beliz had accused him in court of embezzling public funds for campaign publicity purposes.

The Frepaso candidate for deputy mayor, Anibal Ibarra, criticized De la Rua for flying over the city in a helicopter. "It is obvious that the UCR strategy is to fly over the city's problems. You don't have to fly around in a helicopter to see in what sort of shape our hospitals are in owing to the lack of funding," he remarked.

The chairman of the UCR Capital Committee, Jose Garcia Arecha, joining the campaign, emphasized that Dominguez is a "de facto mayor" who is trying "to cover up the end of his disastrous administration with silence," criticizing him as well for "refusing to appear in court to explain the sale of the former General Inspectorship Building and attempting to keep the numbers secret."

Norberto La Porta, the Frepaso mayoral candidate, asserted that "Dominguez is part of a government that is responsible for corruption and unemployment, while De la Rua is more concerned about using Buenos Aires as a springboard."

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Argentina: Navy Training Plane Crashes; Pilot Killed

PY3005005796 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2028 GMT 29 May 96

[FBIS Translated Text] Buenos Aires, 29 May (NA) — It was officially reported that a Navy Super-Etendard plane crashed at the Punta Indio Naval Aviation Base today, instantly killing the pilot and causing a huge fireball after brushing a fuel truck that was parked on the runway.

The accident came during a "training flight" at the Naval Aviation Base before dozens of people who saw the crash and the fireball.

An official Navy communique states that the crash occurred at 1318 [1618 GMT] while the pilot "was carrying out a training flight ordered by his commanding officer."

The pilot was identified as Ship-of-the-Line Lieutenant Sergio Ruben Marquez who, according to the communique, was instantly killed.

The tragedy could have been even worse, as the plane, a Super-Etendard with registration No. 3-A-203, brushed a fuel truck that was parked on the runway, instantly causing a fireball barely 100 meters from the people watching the maneuvers.

Argentina: Cautious View of Economic Statistics Urged

96SM0316B Buenos Aires LA PRENSA in Spanish 14 May 96 p 11

[Editorial: "Economy and Statistics"]

[FBIS Translated Text] *Some recent figures that seem to show an improvement in our economy should be used with care, because they conceal less optimistic aspects.*

Statistics are not always a clear reflection of reality, especially in economics. Not infrequently, they can be interpreted in several different ways, sometimes very differently. For example, and almost simultaneously, it was reported, on the one hand, that last April job offers rose suddenly with respect to the immediately preceding period, while, on the other hand, it was noted that there had been a slight increase in the purchasing power of salaries in March with respect to February.

However, these figures can be interpreted very differently, and the same agencies that provide them recognize this fact. With regard to the increase in purchasing power of workers' salaries, this was due more to a drop in prices than to a nominal increase in salaries. Although the effect may be the same—to be able to buy more things—it is not the same to do so because you have more money for that purpose, as it is to do so because the prices of articles in the market have gone down.

This describes a recession and a contraction in demand because of a decreased availability of money, rather than an increase in the real wealth of consumers.

Similarly, the increase in job offers in April compared to March has two problems. The first is that this increase—clearly modest—does not compensate for the continued decline with respect to the same month of the previous year. This is to say that over the medium term, the unemployment rate not only did not improve, but it even got worse. The second is that the data refer only to the capital city [Buenos Aires], which, while containing a considerable part of the nation's active population, does not include the interior, where many regions have a higher rate of unemployment.

The statistics we are considering indicate in principle an improvement in our economy. But they should be viewed with care, because they conceal negative aspects that will have to be addressed.

Bolivia

Bolivia: IMF Managing Director Arrives on Visit

PY3005005996 Madrid EFE in Spanish 1823 GMT 29 May 96

[FBIS Translated Text] La Paz, 29 May (EFE) — IMF Managing Director Michel Camdessus arrived in La Paz today on an official three-day visit. He will meet Bolivian President Gonzalo Sanchez de Lozada, politicians, entrepreneurs, and trade union representatives.

Camdessus noted that, much to his surprise, he noticed the way Bolivia has recently overcome hyperinflation and achieved stability and sustainable growth.

Nevertheless, Camdessus admitted that it still is necessary to struggle against poverty and that the IMF has a commitment with the Bolivian Government concerning this struggle.

Camdessus will meet the president and government economic team members today. He will subsequently go to the La Paz Municipality to receive the keys to the city and to be declared guest of honor of La Paz.

On 30 May Camdessus will meet political leaders, private enterprise leaders, trade union leaders, and catholic church representatives. Before his departure on 31 May, Camdessus will hold a news conference.

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Bolivia: Mexican Foreign Secretariat Leaves For Venezuela

PA2905172296 Mexico City XEW Television Network in Spanish 0330 GMT 29 May 96

[From the "24 Hours" newscast]

[FBIS Translated Text] After attending the Rio Group's 14th meeting in Cochabamba, Bolivia, Foreign Secretariat Jose Angel Gurria flew to Venezuela to begin a three-day official visit. The purpose of his trip is to increase the ties of friendship, cooperation, and political dialogue between Mexico and Venezuela.

Brazil

Brazil: Cardoso Said Not To Like CIA 'Tip' to Police

PY2905170496 Sao Paulo VEJA in Portuguese 29 May 96 p 43

[From the "Radar" page: "CIA Paid Federal Police Agents"]

[FBIS Translated Text] President Fernando Henrique Cardoso did not like one little bit learning that the American espionage agency CIA was paying a monthly tip to a group of Federal Police agents engaged in drug enforcement. The U.S. State Department alleged that it did not know about the operation, which was being carried out with secret funds from the CIA. As is known, the Americans prefer to combat internal consumption of cocaine and other drugs outside their borders.

Brazil: Industries Charge PRC With 'Unfair' Competition

PY3005000796 Sao Paulo AGENCIA ESTADO in Portuguese 1721 GMT 28 May 96

[Article by Milton F. da Rocha Filho]

[FBIS Translated Text] Sao Paulo, 28 May (AE) — Through the Brazilian Electro-Electronic Industry Association (Abinee), manufacturers of electronic components are denouncing cases of unfair competition from products imported from the PRC, the price of which are as much as 75 percent less than those manufactured in Brazil. The Abinee document, which was sent to the Industry, Commerce, and Tourism, states: "In the PRC, production is subsidized and the cost of labor is well below Brazilian standards: A worker costs 40 reals [R] per month in the PRC, while a Brazilian worker costs about R600."

The study ordered by Abinee President Nelson Freire adds that, compared to April 1995, electronic components sales dropped by 15.7 percent last April. From January to April, there is an accumulated drop of 16.6 percent compared with the same period last year.

These results contrast with the so-called electronic consumer products, which are one of the best national markets. From January to March, sales increased by 31.2 percent compared to the same period in 1995. Nelson Freire said this apparent contradiction reflects the situation the Brazilian electronic components area has been experiencing. The economic opening process has created a drop in the percentage of locally made components in Brazilian products, and increased the volume of imports. The Abinee president said the increased sale of foreign components reflects that sales over the past 12 months show "a clear and continued drop."

The study shows the main reasons why Brazilian manufacturers have difficulties in selling their products in the domestic market:

— The importation of complete products in the form of kits [preceding word in English]

— An 88-percent cut in import taxes of electronic components when they pass through the Manaus Free Trade Zone. This results in an average final importing quota of 1.8 percent, which is the lowest among the main industrialized countries worldwide: NAFTA collects 6 to 10 percent; the EU, 4 to 6 percent; and the Asian tigers, 6 to 25 percent.

— Unfair PRC competition.

— Smuggling and under-invoiced importing that may total $1.5 billion per year, compared to the area's sales of $1.7 billion. this must be added to regular imports worth $2 billion. The domestic industry now only has 30 percent of the market.

Brazil: Lower House Approves Social Security Reform

PY2905154996 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 29 May 96

[Report by Flavio Figueiredo in Brasilia]

[FBIS Translated Text] The government yesterday obtained a triumph in the Chamber of Deputies with the approval of some social security reform articles. The deputies managed to maintain in the social security reform bill an 8,000-real ceiling on the retirement pensions of public workers, even for those who collect more than one pension. This result represents a triumph for the government in the social security reform voting session on 28 May.

Contrary to what took place last week, the voting session was calm. The separate articles that went against the

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government reform were defeated in yesterday's voting session. With a quorum of nearly 440 deputies in the hall, 10 separate articles were withdrawn right away.

The deputies maintained the article that established that retired workers should also contribute to the social security system. It has also been decided that the retirement pensions of military personnel will be regulated by an additional law. All these points have yet to be reconfirmed by the Senate.

Brazil: Deputy Antonio Kandir Named Planning Minister

PY3005005496 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 29 May 96

[FBIS Translated Excerpt] Civilian Household Chief Clovis Carvalho today announced at Planalto Palace that Deputy Antonio Kandir [Brazilian Social Democracy Party-Sao Paulo] is the new planning minister.

[Begin Carvalho recording] The president of the Republic has instructed us from Paris to announce that he offered the office of planning minister to Deputy Antonio Kandir, who has accepted.

Antonio Kandir will be officially appointed as planning minister on 31 May, replacing Senator Jose Serra, who resigned. [end recording]

Carvalho said the change of planning minister will not prompt changes in the administration's economic policy.

[Begin recording] There is no reason to change anything. Minister Serra has discharged his duties with great efficiency. We now have a new, different face, that of Minister Kandir, who fully shares the administration's views in this area. [end recording]

Following his appointment as planning minister, Kandir today made his first comments to the press. He said he will follow President Cardoso's instructions. He made it clear that he will not announce his actions as planning minister until he confers with President Cardoso. Today, Kandir participated in the Chamber of Deputies vote on topics of the social security reform bill. [passage omitted]

Chile

Chile: Minister Heads Delegation to Spain

PY3005014096 Santiago EL MERCURIO in Spanish 29 May 96 p C9

[Article by Beatriz Silva]

[FBIS Translated Text] Barcelona — Public Works Minister Ricardo Lagos said in Barcelona that Chile needs to invest more than $10 billion in infrastructure before 2000, and that more than half that amount will be covered by the private sector. Lagos lectured on Chile's most urgent needs during a seminar yesterday entitled "Chile, A Consolidated Country" at the Barcelona Chamber of Commerce, Industry, and Navigation.

Ricardo Lagos is heading a delegation of 24 Chilean businessmen who are promoting investments in infrastructure in Chile. The delegation includes Transportation Minister Narciso Irureta, Senator Gabriel Valdes, and Carlos Jorquera, president of the Ibero-American Association of Chambers of Commerce.

Lagos said the main private companies investing in infrastructure in Chile are Spanish companies, adding that this trip seeks to strengthen links.

He said: "The main idea is to explain our program, the importance of the public and private sectors, and how Spanish technology can be incorporated into our work."

Lagos said one of the most important projects Chile wants to implement is the advanced technology used on European highways.

Lagos also said that of the 80,000 km of roads in Chile, at least [number indistinct] will be privatized over the next two years, and Spain can play an important role in this project.

Lagos said that the weakest areas are health and transportation and that it is urgent to improve if we are to face the challenge of Mercosur [Common Market of the South]. Among the priority projects, he mentioned the coastal highway and the pavement, before 2000, of at least six of the 12 border passes between Chile and Argentina. Lagos added that public works grew 10 percent in the last few years and that it is expected that percentage will be maintained.

Transportation Minister Narciso Irureta said important investments are needed to develop ports when Mercosur is implemented so Chile can effectively play its role of bioceanic corridor.

The business delegation that came to Barcelona will also visit Madrid and Seville. They will ride the Madrid urban and inter-urban railroad and they will visit the Madrid Telephone company.

Chile: Senate Approves Agreement on Chemical Weapons Ban

PY2905170996 Santiago EL MERCURIO in Spanish 24 May 96 p C2

[FBIS Translated Text] Valparaiso — The Senate has fully approved the draft agreement included in the convention signed in Paris in 1993 that forbids the

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development, production, storage, and use of chemical weapons.

The agreement says that this convention complies with those legal instruments that seek to strengthen peace, to ban weapons of mass destruction, and to stop the arms race.

The agreement establishes, among other things, that each state must promise not to develop, produce, purchase, store, or preserve chemical weapons, or to directly or indirectly transfer them to anyone.

Moreover, the convention, among other provisions, calls for the destruction of all chemical weapons under the states' jurisdiction or control, and of all weapons abandoned in other states.

Chile: Insulza on UK Decision To Block EU Decisions

PY2905152096 Santiago ESTRATEGIA in Spanish 28 May 96 p 4

[FBIS Translated Excerpt] Chilean Foreign Minister Jose Miguel Insulza has stated that Chile is unable to do anything to counteract the British decision to block all decisions made by the EU, which could prevent the signing of the bilateral agreement scheduled for 22 June.

He said: "This is the EU's domestic problem. We hope it will not cause any delay, but there is nothing we can do about it."

Last week the United Kingdom threatened to block all EU internal decisions if its 14 member countries do not lift the embargo on British meat affected by the disease known as "mad cow." [passage omitted]

Chile: Bilateral Investments at Issue With Canada

PY3005005896 Santiago ESTRATEGIA in Spanish 22 May 96 p 6

[FBIS Translated Text] Investments between Chile and Canada — beside being the most important aspect of bilateral relations — is among the thorny issues within the current economic negotiations because Chile decided to exclude from future agreements everything to do with controlling capital flow.

Juan Gabriel Valdes, who is in charge of Chilean negotiations, has said that restrictions — like the need for foreign capital to remain in the country for a minimum of one year and the legal reserve — will not be included in the negotiations. He explained: "We decided to not touch the control mechanisms the Central Bank uses to safeguard the macroeconomic stability. We believe this is fundamental. Canada brought its technicians to the negotiations to understand the reasons for these restrictions."

Valdes insisted that Chile clearly informed its counterpart of its decision to safeguard the current Chilean situation, even though Canada is exerting pressure to liberalize, as much as possible, the entry and exit of capital.

Valdes added that financial services will not be included in these negotiations because part of the Chilean law on this subject is still in Congress. As such, they do not believe it appropriate to reach agreements on issues that are not yet implemented.

Regarding other services, Canada must answer the Chilean proposal during the round of talks scheduled for 3 June in Ottawa, Canada.

Valdes added that Chile wants to eliminate from future agreements anything to do with the antidumping [given in English] law that, although included in NAFTA, does not exist in Chile.

This agreement will become effective once custom tariffs disappear (in about 10 years time). Therefore, a mechanism to resolve transitional controversies is needed. During this period antidumping mechanisms and compensatory rights would be allowed to avoid granting subsidies that may affect the free market.

He added: "Our proposal is based on the creation of arbitration boards in keeping with GATT regulations. We await Canada's answer, but we share the basic principle."

Valdes added that another of the more complicated issues are the norms of origin by which Chile wants to avoid, if possible, the entry of U.S. products at lower custom tariffs.

The custom tariff on whiskey, he asserted, is not part of the negotiation.

Chile: Congressmen Vow To Support Agreement With Mercosur

PY2905165896 Santiago EL MERCURIO in Spanish 26 May 96 pp A1, A19

[FBIS Translated Excerpt] The presidents of the two congressional chambers yesterday expressed their optimism that Congress will analyze favorably and ratify the Chilean agreement with the Common Market of the South (Mercosur).

Senate President Sergio Diez (National Renewal) and Chamber of Deputies President Jaime Estevez (Socialist Party) also praised the 24 May government decision to

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submit the economic complementation agreement for congressional approval.

Diez said that if everything develops normally, the treaty will be approved by Congress because, according to him, Chile cannot remain outside the economic organizations of its own continent.

He added that the nature of the treaty urges Congress to hold a meeting with Foreign Minister Jose Miguel Insulza to adopt mechanisms to study it, "because I understand that the government does not intend to submit the full text of the treaty for congressional approval or rejection, but rather to listen to congressmen's opinions on its content before making a final decision."

Socialist Jaime Stevez, president of the Chamber of Deputies, acknowledged, however, that the fact the matter was taken to Congress implies that it can approve or reject it, but added that congressmen can hardly oppose it because he believes that any negotiating process implies assuming some costs to enjoy the benefits. On this point, he termed mistaken and ideological the position adopted by farmers because, in his view, greater competition will help improve productivity in the agricultural sector.

On 24 May Insulza said that the government decision must be understood as President Eduardo Frei's gesture of political good will. He added that in no case can Congress affect the presidential powers provided for in the agreement created by the Latin American Integration Association (ALADI) to administer the economic complementation agreements signed within this framework. [passage omitted]

Chile: Foreign Minister To Promote OAS Reorganization

PY3005013996 Santiago EL MERCURIO in Spanish 29 May 96 p C3

[FBIS Translated Text] The reorganization of the OAS is the key issue of the organization's upcoming general assembly next week in Panama.

Chile will continue to promote the idea that OAS organs, like the Inter-American Committee for Overall Development [Comite Interamericano de Desarrollo Integral] (CIDI), gradually acquire a greater role in the Inter-American system and become a true element for the coordination of actions to promote and develop the nations of the hemisphere.

This was stated yesterday by Cristian Maquieira, acting multilateral policy director of the Chilean Foreign Ministry.

Over the past few years Chile has strongly endorsed a series of changes within the OAS to enable it to adapt to new times and become an effective agent for the consolidation of democracy and respect for human rights, and to promote the countries of the region and coordinate measures to contribute to development with equity in the hemisphere.

The Inter-American Social Development Committee is a consequence of this process and the result of a merge of the education and social development committees of the OAS.

Maquieira commented that, aside from the issues discussed within this forum and that have to do with regional interests, a series of bilateral meetings are held during the OAS general assembly during which foreign ministers can exchange viewpoints on concrete issues.

Even though Foreign Minister Jose Miguel Insulza is busy with subjects like negotiations with the Common Market of the South (Mercosur) and the possible postponement of the signing of the new agreement with the EU, he will attend the OAS general assembly.

Insulza will travel at dawn on 2 June and will arrive in Panama in time to participate in the afternoon "informal meeting" of foreign ministers that has become a tradition. This is when subjects to be included in the final declaration of the meeting are discussed.

The foreign ministers and deputy ministers of all countries of the continent, except for Cuba — whose government was excluded from the Inter-American system as a way to pressure Fidel Castro's regime — will participate in this meeting.

Beside the "Panama Declaration" that will include the main political proposals made during the assembly, it is expected that a series of resolutions related to terrorism, corruption, drug trafficking, and money laundering will be signed.

Maquieira commented that, as usual, the Chilean minister will address the plenary session and that his address will include a series of issues currently important to Chile, especially related to integration and the need to enhance the OAS as a forum to contribute to the social development of its members.

Chile: Glaciers Issue To Be Discussed With Argentina

PY2905180296 Santiago EL MERCURIO in Spanish 25 May 96 p C1

[FBIS Translated Excerpt] Chilean and Argentine congressmen will meet in July to discuss topics that need to be specified or clarified concerning the treaty that sets

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the limits of the Southern Glaciers zone. They will then submit their positions to their governments so that they can negotiate an additional protocol to expedite the ratification of the agreement in their respective congresses.

Jose Makluf, president of the Chilean-Argentine congressional group, made this statement on 24 May after meeting with Chilean Foreign Minister Jose Miguel Insulza.

Makluf voiced his optimism that the two congresses will ratify the above-mentioned agreement if previous decisions are made on issues that concern both Chile and Argentina.

He stated that as soon as the topics that must be clarified are established, the conditions would be appropiate for congressmen to endorse the agreement before the end of this year.

These are the last efforts that are being made on both sides of the mountains to attain congressional approval. This step is essential for the treaty to be implemented and to definitively solve the last pending border issue with Argentina.

Otherwise, according to Makluf, the parties will have to resort to reconciliation and arbitration, which are the other mechanisms established in the 1984 Peace and Friendship Treaty, to overcome controversies. [passage omitted]

Chile: Opposition Rejects Higher Taxes For Education

PY2905231396 Santiago EL MERCURIO in Spanish 22 May 96 p C2

[FBIS Translated Excerpt] Valparaiso — The announcement by President Eduardo Frei on education, including the reestablishment of full school hours, was fully supported yesterday by congressmen and presidents of government and opposition political parties.

Opposition legislators and leaders of political parties strongly rejected the presidential proposal to keep VAT [value added tax] at its current 18 percent rate and not reduce it by 2 percent next year in accordance with the political agreement that led to the approval of the second tax reform.

Opposition leaders said the proposal violates the political- legislative commitment, adding that the state has enough "leeway" to increase education spending without new taxes.

They also pointed out that it is a most regressive tax which affects poor people. The only government congressman to support the objections of the center-right was Roberto Munoz Barra of the PPD [Party for Democracy] and president of the Education Committee in the Senate. Munoz said the proposal to use VAT to finance the ambitious educational plan places the financial responsibility on the backs of the large middle class. [passage omitted]

National Renewal President Deputy Andres Allamand praised the educational program because it is what the country needs but said he believes it would be "incorrect" for Frei not to fulfill the commitment to reduce VAT and to try to finance the education plan through higher taxes. [passage omitted]

Jovino Novoa, president of the Independent Democratic Union (UDI), said the UDI will support the educational proposal because it is obvious that this is a central point for Chile's future. He said: "We will not only support this government effort; we will try to improve it. We will supervise its fulfillment because we do not want to hear speeches announcing a plan that is never implemented." [passage omitted]

Chile: President Gives State of Nation Address

PY2805190996 Santiago EL MERCURIO in Spanish 22 May 96 pp C4-C6, C11

["State of the Nation" address by President Eduardo Frei to Congress in Valparaiso on 21 May]

[FBIS Translated Excerpt] Fellow citizens from the Senate and the Chamber of Deputies:

This is my third presidential address. Now is the moment to meditate on our development as a nation, especially at this historic time when we seek to achieve our goals. As president of the Nation, I am in a privileged position to see the real situation in the country. The administration's daily work, the continuous visits I have been making to the interior, and the continuous contacts I have been making in different localities and regions of the country give me an overall view of the situation.

The firm conviction I have acquired is that Chile is progressing and is experiencing a major and historical transformation. Changes are occurring not just to our economic and physical profile; also changing are our social features and our way of relating to the international community. Some of these changes are very visible while others happen rather silently and find greater or lesser resistance in the way. All of them indicate that, from the very heart of our nation, a developed Chile is emerging; a nation closer to fulfilling a dream nursed by generations of visionaries and fighters.

I have come here to render an account of the broad achievements and to convey the challenges they impose on our policy and on our public behavior.

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PERSISTING ON THE DEMOCRATIC PATH

Facing our Problems

Our democratic path has not been exempt from vicissitudes. Last year I said the way the country assimilated the effects of the Letelier case ruling would test the maturity of our nation, its leaders, and its institutions. Once the Supreme Court ruling became known, a period of tension and uncertainty began. The country again experienced — not without certain bitterness and disappointment — a reliving of our past, with all its force of conflict and hardship.

Some said the government wasted too much energy on this, but governing means facing the country's real problems — especially if they disrupt the tranquillity of the people and undermine the credibility and the prestige of our institutions. Those who made too hasty judgments on the development of our institutional process had to admit that democracy, justice, and respect for the law have finally prevailed (applause).

The pending problems and the limitations of our democratic functioning have been more visible than ever during that period. Within that framework I submitted to the country a proposal seeking to clarify the fate of the missing-detainees, while I was also dealing with the major issues of institutional improvement.

Democratic Progress Cannot Be Stopped

My proposal to amend the Constitution was inspired by the country's highest interests and was supported by the overwhelming majority of the citizens. I explained its scope to all sectors of national life. I called upon the ruling and opposition parties to analyze these proposals and I agreed to amend them upon receiving valuable suggestions and expectations favorable to its approval.

I did everything I could to fulfill my commitment to adjust the Constitution to the new requirements, and I must say that it was not to the liking of all aspirations. Eight months later some opposition senators rejected the idea of discussing this initiative, thus ruling out any possible and serious debate about the articles of the proposal. This should urge the citizens to begin a serious meditation. As president of the Republic I must clearly say that the position of a minority group of senators who rejected the proposal concerns me greatly, and I consider it a serious political and conceptual error.

I consider it a political error because their objections to the proposal rekindled an old quarrel the country thought was finally left behind. They reawakened the specter of "protected democracy" or of "institutional backwardness," and thus created an illusion filled with conflicts that have nothing to do with true progress, dynamic action, and consensus in the country.

The rejection in the Senate is also a conceptual error because it is based on confusion over the meaning of a Constitution. The idea of a "Stone-Age" Constitution has prevailed, the value of which is based on its immutability and the function of which would be that of a huge barrier to stop modern trends. We believe, however, that the Constitution has two essential pillars to support its stability: The legitimacy granted to it by the people's representative institutions; and its ability to harmonize the traditions and the changes of an organized political community. Why should there be any fear of adjusting our essential institutions to the new times, to a future filled with opportunities?

I trust the rationality of senators and deputies will prevail and I really appreciate the efforts of those who seek understanding. I am fully convinced that sooner than later our Constitution will be in keeping with the present and the future. It will be proven then that the way to enhance our democracy is not by evading debate, but by openly facing the demands of development (applause).

I want to urge all congressmen to persist in our desire to reform and democratize our constitutional order. Democracy is not a presidential whim or an ephemeral obsession of some politicians. It emerges from the hopes of all citizens throughout the Nation. As my duty and my conscience drives me, I am willing to continuously and jointly seek a path to make of our country a profoundly free and fully democratic fatherland.

Public Ethics

Right from the start I said I wanted an open and honest administration. For this our institutional mechanisms must preserve the honorable tradition of virtues in our public administration.

Regarding legal reforms, Congress is currently discussing a package of initiatives that are part of the government's effort to prevent and fight any form of corruption.

We therefore submitted a draft bill on these virtues which systematizes the duties of public servants. A draft bill which compels the public administration to periodically and systematically supply information on matters like the organizations, functions, and objectives of each organization is also being discussed in the Chamber of Deputies. The project establishes and regulates the rights of citizens to have access to documents of administrative organs, with the exception of those considered confidential or secret by law.

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We thus hope that honesty in the information supplied will be the general rule within the public administration. [passage omitted on measures to ensure probity at a municipal level]

The international community acknowledges our political maturity, and the prestige of our democracy grows. One sign of this is the invitation Chile received to participate as a non-permanent member of the UN Security Council during the 1996-97 period.

We are aware that our political achievements go hand-in-hand with the development of democracy in the region. Thus, we have proposed that governability for an efficient and participative democracy be the key issue of the Sixth Ibero-American Summit of Chiefs of State and Government to be held in Chile. The time has come for our people to contribute to development and to the consolidation of their democracies.

CONSOLIDATING AND EXPANDING OUR ECONOMIC FOUNDATION

A Thriving and Sound Economy

In the economic field, 1995 was exceptional. Our economy grew by 8.5 percent, fully surpassing our 6 percent growth estimate. With this, Chile's average growth since 1990 has increased up to almost 7 percent, thus establishing very solid foundations for our economy. If we continue to grow at this pace, by the beginning of the next century we will have doubled the GDP per capita we had the year in which we restored democracy, thus doubling the available goods and services per citizen.

This achievement is historic and will have a direct impact on the living standard of the people and will decisively change the characteristics of our society. This auspicious framework allows us to better carry out our task of building a more equitable society and will help us to defeat poverty.

The 8.2 percent inflation rate recorded in 1995 and the estimates for this year indicate that we will complete the first three-year period in over 50 years with an inflation rate less than 8.5 percent. The steady decline of this indicator clearly favors the entire country. It is not just a question that the effects of greater price stability on variables are as important as savings, investments, and growth: Economic stability also represents concrete benefits in terms of greater purchasing power for those on fixed incomes, such as pensioners, and wage earners in general.

Last year national savings amounted to about 28 percent of the GDP while fixed capital investments amounted to 27 percent of the GDP. These percentages positively compare with the most dynamic economies in the world and, as has been the case in the past years, once again represents a record in Chilean history. This high investment rate which, in turn, is based on a significant national savings effort, is what allows us to maintain a high and stable growth level, with greater use of the installed capacity as well as of our labor force.

Our dynamic exports have been one of the main thrusts behind the recent development of our economy. In 1978, Chile exported goods worth $2.5 billion, ten years later that figure increased to $7 billion; and in 1991, one year after we restored democracy, our exports were worth $9 billion. Now, exports amount to over $16 million — an increase of 38.2 percent on the previous year. This incredible increase has been quantitative and also qualitative in the sense that we have diversified our offer of exportable goods and the markets to which we sell our products. Chile now has 2,000 exporters who export 2,700 different products to 170 different countries.

One of the characteristics of this recent growth is the great expansion of our productivity. Consequently, growth has increased employment and investments and also resulted in a more efficient use and better quality of all Chilean human and productive resources.

This allowed large increases in real salaries which is unprecedented in our economic history. Between 1984 and 1989, labor production grew at an annual rate of 1.6 percent and salaries at 1 percent per annum , yet between 1990 and 1995 both have grown at an average 4 percent per annum. In other words, over the past six years, the purchasing power of salaries has increased an average 26 percent, which is much higher than in the entire decade of the 1980's.

The successful macroeconomic development of the last six years has taken our economy to a situation where growth is becoming more dependent on higher production and quality. This creates the basis for a sustained increase in salaries and for a gradual improvement of job quality.

We are facing a new economic reality which gives us the necessary stability to progress and look further ahead. Let us concentrate on moving ahead. Let us leave behind nervous reactions to any little changes in the economic indicators. We must learn to consider them as simple natural adjustments and variations within the progress of a stable and solid economy.

Our current situation gives a broad framework of tasks for all productive sectors. The defense of legitimate interests should not lead either business or unions to the idea of enclosing themselves for protection. Our success depends on putting aside suspicion and self-satisfaction, and assuming the responsibility of collective tasks for

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development, and expanding mutual confidence and cooperation among the different sectors by doing things right as our prime goal.

Expanding Our Economic Sectors

The experience gathered during recent decades shows that greater participation in the world economy increases our possibility to attract foreign investments and creates favorable conditions for the internationalization of companies. In 1978 our world trade was $6 billion, and it is now $30 billion. This shows a more open economy and its further expansion are inseparably linked to foreign trade.

Aware that Chilean interest is growing in the Asia-Pacific region, Europe, and North and South America, my government began a process of negotiations — which is unusual in our history — seeking to substantially expand our economic activity.

We are placing special emphasis in Latin America because we are convinced that the economic complementation agreements of our region will stimulate higher levels of political cooperation, and cultural, physical infrastructure, and energy integration.

Beside extending and consolidating a network of bilateral agreements that link us with most other Latin American countries, we are making a great effort to join the Mercosur [Common Market of the South]. These negotiations are not easy and we will only conclude an agreement once we are fully convinced that its final balance is favorable to national interests.

We will continue to develop an intensive network of trade between the Pacific and the Atlantic to strengthen our geographical situation, to favor vast projects of physical integration, and to create a more significant relation with the large markets on the Atlantic coast. Our visit to Brazil and its results prove this positive projection.

The government has continued its policy of joining other world markets. We have worked hard to ensure that Chile remains a dynamic and respected country in the Asia-Pacific community. Trade with the countries of that region has greatly increased over the past few years — some 160 percent between 1990 and 1995 — while our global trade grew 108 percent in the same period.

Regarding Europe, negotiations have concluded around a new Framework Cooperation Agreement seeking to prepare — as a final objective — a political and economic association between the EU and Chile, an agreement that will be signed in June. Beside progressing in political relations with the countries with which we have old links of friendship and common values, we will strengthen our participation in one of the largest markets of the world, which comprises 15 countries and more than 350 million people.

We continued to consolidate the official invitation made to us in December 1994 to join NAFTA. We are confident that once the obstacles — in which we are not involved — are resolved, the negotiations will start. The visit in 1995 of the Canadian prime minister created a favorable environment for bilateral trade negotiations, which will be added to the agreement we already have with Mexico.

The expansion of our economic activity places greater demand on quality and competition of our economy. In other words, it creates requirements for our companies which includes, in many cases, re- specialization, quality control improvement, increased production, modification of activities to meet environmental regulations, and greater employment and labor conditions. Chile should be known and respected for the quality of its products and services, which are the result of the overall quality of its productive systems. [passage omitted]

MODERNIZING KEY AREAS FOR PRODUCTIVE DEVELOPMENT

We have taken great steps to fulfill one of the priority tasks of my administration: To equip the country with adequate productive infrastructure to meet the growing demands of economic growth and of the country's move to international levels.

We have made decisions which will radically change the country's profile within the next few years in areas vital to our development: Ports, airports, urban and inter-urban highways, railways, and energy.

For years we have known that the lack of infrastructure could in fact smother our development chances. Nevertheless, the needed investments are so high they would also require the special funds that are set aside for social areas of the nation. For this reason my administration proposed the intensive participation of the private sector in investments, and the operation and management of public infrastructure projects. Moreover, the state public works budget has more than doubled in real terms over the past five years, seeking mainly to focus on those projects essential for the living conditions of the poorest areas. [passage on detailed local and regional projects omitted]

The government also outlined sectorial policies concerning airport systems and passenger train service. Concerning airports, the main objectives of the policy announced in March 1996 are: To improve the infrastructure and administration of the system; to move toward

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greater economic rationality; to promote private participation for investment and infrastructure management, and to provide airport equipment and services for commercial use. We have detailed a full plan of investments at our airports to include public expenditures in maintenance, the modernization of air navigation systems, and specific projects with the participation of the private sector nationwide.

Concerning the passenger train system, we propose its recovery as a strategic participant in national development and infrastructure; effectively using the possibilities offered by this transport system to meet current needs for passenger transport service. Under the general rules I announced in December 1995, the groundwork for bids has been under consideration to provide the infrastructure as well medium- and long-distance passenger train service to the south. Within this framework, bids to sell land owned by the railroad company in different cities throughout the country represent a clear opportunity for urban renewal through real estate projects that can be developed by the private sector. Important progress was achieved during 1995 in the Chilean energy sector, which has coped with the higher levels of consumption of the different energy sources, including electricity (9.2 percent), liquid fuels (7.4 percent), and coal (14.3 percent).

The large development during the past year in the transport and distribution of Argentine natural gas has been especially important. Looking toward the development of this area, the government has established basic rules for gas pipeline projects. It is also appropriate to mention investments in electricity generation plants, electricity and fuel distribution systems, petroleum exploitation, and the expansion of refineries. Energy projects worth about $500 million were dedicated in 1995. [passage omitted]

Concerning port matters, modernized public companies and private investments are being invested in expanded docks. The existing state ports are being improved, and new private ports are being built. [passage omitted]

By 2000, Chile will have a modern airport network for passenger and cargo, as well as security for air navigation. We will also have developed regional airports, which will allow greater mobility of passengers and cargo throughout the different regions.

We will have enough energy for our growing demands. Investments are already being made to ensure enough energy for the remainder of this decade. Through the connection of the natural gas pipeline from Argentina, the country will have fuel that is modern, clean, and plentiful, with a positive reduction of contamination, that will also help our economy.

With the recent signing of the supreme decree that establishes the regulations on the environment, the government completed the necessary basic regulations to implement the Basic Law of the Environment. This law launches a system to substantially contribute to the protection and intelligent use of our natural resources, putting us ahead of other developing countries on this issue.

This is how our country will update its productive infrastructure and ensure a solid basis for our economic and social development.

Transforming Our Agriculture

The further opening of our economy places greater demand on the need to face the challenge of modernizing and transforming our agricultural production. My government made a commitment to support the modernization of agriculture because it is aware of its economic, social, and cultural importance for the country.

In March 1995, the government defined its action based on a group of strategic issues linked to the development of markets, the innovation and transformation of production, the modernization of agriculture, business participation and labor training, protection of natural resources, and improvements to the rural habitat.

We are progressing toward conquering foreign markets, for which we have perfected information systems and begun the creation of a network of agricultural products. We also established the Fund For Promoting Agricultural Exports, which this year received $10 million. Important progress was also made to protect the health of plants and animals. It should especially be pointed out that in December 1995, Chile was declared free of fruit fly, which opens great possibilities to our fruit producers and exporters. This is very important for the Asia Pacific countries as already reflected in an increase of 24.5 percent in Chilean fruit and vegetable exports to that region.

The government wants to stimulate the innovation and transformation of agricultural production. Thus, the budgets for the Agricultural Research Institute, the Forestry Institute, and the Foundation For Agrarian Innovation have been increased. Also, successful programs for production innovations — with the introduction of new species and varieties — have been launched. The exports of seeds, flower bulbs, and reproductive material alone reached $100 million in 1995. It is also worth mentioning the impact created by the transfer of technology which allowed about 1,000 small-scale wheat producers of the Ninth Region to increase production by more than 600 percent. [passage omitted]

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I have absolute confidence in the potential of the agricultural sector and its interesting development possibilities which will benefit the country through profitable, competitive, and integrated agricultural products in the international markets. We will give priority to the efforts made and we will support the transformation of agricultural production. [passage omitted]

Strong impulse will be given to technology in the areas of research, innovation, and transfer because they are the necessary basis for diversifying and modernizing national agriculture. Efforts will be made to strengthen the action of foundations and institutes of the public sector that are linked to this process. Mechanisms will also be implemented for stimulating investments and private participation. We will strongly support the innovation for developing new products and productive systems, and we will expand the programs of transfer of technology to have greater production to be able to face under better conditions external competition, and to take advantage of the new opportunities offered by the market. [passage omitted]

Eradicating Rural Poverty

Access to the benefits of progress presupposes the generation of opportunities so that all citizens have access to the basic services modern life offers and human dignity demands. This is especially relevant for the rural area. Isolation and dispersion of the population in distant areas and regions makes their access to basic services more difficult and more expensive. It is for this reason that my administration is promoting a set of programs and measures to overcome poverty in the rural areas of Chile.

In 1995, public resources earmarked for actions to improve rural living conditions was about 260 billion pesos, which represents a real increase of 18 percent on 1994. Of that, about 62 billion pesos went to the productive area to which I have already referred; 107 billion pesos went to social infrastructure — road systems, drinkable water, health, electricity supply, telephone system, housing, and improvement of land titles; and about 90 billion pesos went to the social area — education, health, work, and training programs. The 1996 budget earmarks about 260 billion pesos for the continuation and expansion of the current programs. [passage omitted]

Development of the Rural Electrification Program of the National Energy Commission seeks to resolve the significant power shortage in the interior, where some 240,000 families lack this service. The achievements have been very positive: Government investments in rural electrification projects in 1995 reached 9.6 billion pesos — practically three times the previous record. [passage omitted]

Telecommunications

During 1996, 1 million inhabitants in some 3,000 localities — especially in rural and distant areas — will benefit from telephone projects financed by the Telecommunications Development Fund. More than 1,000 telephone installations that were approved and financed in 1995 will be distributed as of June. The Telecommunications Fund began in 1995 and now benefits about 380,000 people. Some 8,000 rural localities will have access to this service by 2000.

Education

Budget for basic and medium-level rural education programs in 1995 increased considerably, reaching total investments of almost 64 billion pesos. In 1996, all basic schools with one, two, or three teachers for the entire cycle will receive overall attention through the Mece-Rural [not further specified]. The 900 Schools Program will be maintained to support those with difficulties. This year more than 3,000 Education Improvement Programs will be implemented or financed, and 1,000 new projects will be selected. Like this, more than 1.2 million students and more than 55,000 teachers will participate in this new form of handling educational innovations by the end of this year. [passage omitted]

Health

Peasants and small rural property owners have only partial access to health services from municipalities, and much less to social security. A CASEN survey in 1994 showed that about 51 percent of the rural population was excluded from any social security system and are treated by the public system as indigent. Considering this situation, assignment for primary service in municipal offices increased by 20 percent compared to 1994, and the total assignment for rural areas increased to 20 billion pesos. [passage omitted]

Opportunity

The path to development is not straight and automatic. It requires protecting what we have achieved and positive prevention of situations that might prevent the use of our potential.

Peace and Cooperation in the Region

For national security and development it is essential to eradicate the remaining conflicts of the past — always respecting international law — and to build profound economic and cultural ties that will form a neighborhood environment of mutual confidence and cooperation.

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The Peace and Friendship Treaty with Argentina created the framework and conditions for the previous administration to promote the resolution of 24 pending points concerning border matters. Concerning Laguna del Desierto, in 1991 the two governments adopted the commitment to submit the issue to arbitration. This process ended in October 1994. Considering the results unjust, we energetically and convincingly defended the petitions submitted. Our response to a negative ruling was the same as always: Strict respect for international treaties which implied accepting a ruling adverse to national interests. I am convinced all citizens shared our affliction and yet fully understood our position.

Right now we only need congressional approval for the agreement on the 'Continental Glaciers.' I sincerely hope the two countries' congresses will soon adopt the agreements and thus help to responsibly conclude these efforts for peace and cooperation between our nations.

Our relations with Bolivia are being strengthened. We have set the basis for a new agenda of integration that includes greater facilities for Bolivia to have access to the markets of the Pacific. Our trade with Peru and the investments of Chilean companies in that country have also opened possibilities for our relations. We also made efforts to end the pending points of the 1929 Treaty between Chile and Peru, and its complementary protocol. Chile has already fulfilled its obligation to build the facilities stipulated in the treaty and hopes to soon resume negotiations with Peru to make the facilities operational.

National Defense

An example of the maturity of our state is the stability and predictability of our defense policy. Chile is making progress in consolidating a defense system based on key elements like clarity and dissuasion. The growing insertion of our defense policy in the international field effectively also helps our development.

Chile is working for peace in the diplomatic field within the UN Security Council, participates in peace-keeping missions, and cooperates with regional stability as a guarantor country in South America.

People's Security and Justice For All

One task the state must guarantee is the security of the people. My government is involved in an overall strategy of crime prevention to systematically reduce crimes, not just to react to events that are highly covered by the media. [passage omitted]

Our strategy strongly considers the radical modernization of the process for the administration of justice. Chile needs judicial proceedings that do not go on for ever, efficient criminal trials that fully guarantees people's rights. In simple words, a quick, oral, and public procedure before judges. This is why I sent to Congress a package of reforms to significantly change our current Code of Penal Procedures and to create the Attorney General's Office.

The reform of the Code of Penal Procedures has advantages because it will give more protection to people when they feel their rights have been violated. As a result of the reforms, people will find greater protection from justice, efficiency and quickness in procedures, guarantee for defense, and impartiality in the sentences. It is a great step toward getting justice to people.

Due to the nature of our juridical system, proceedings are extremely long and slow, which creates a very long time between crime and punishment, therefore penal sanctions lose their function of protection. In other words, in the eyes of the victims, those who commit crimes are not punished.

The penal reform we proposed attack these two components at their roots. It institutes a specific organization to take public penal action, while it also substantially reduces the time between crime and punishment. This contributes to create an awareness that criminals are punished.

Also, the program to provide access to justice through free legal assistance for the most unprotected sectors of poor communities will be strengthened. The program also includes the Assistance Corporations. Thus, the program will be increased from the 40 poor districts benefited in 1995 to more than 50 in 1996. This program this year covered all the districts of the Antofagasta region. Once the bill currently being debated in Congress creates the Regional Corporations For Juridical Assistance, the beneficiaries of this program will be taken over by the corporations and the program will be extended to the rest of the country. [passage omitted]

I have repeatedly stated that one of the main objectives of my administration is to definitively overcome the problem of extreme poverty in our country.

I hereby solemnly reassert, before Congress, my administration's determination to resolutely strive for this purpose which dignifies Chile and allows us a place in the community of nations with pride and dignity.

Chile cannot aspire to become a modern and developing country if it does not have the necessary will and imagination to harmonize growth and equity, development and solidarity, and progress and the elimination of poverty.

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If we review the situation of developing countries during the past few years, we will see the level of poverty in most of them has risen or, in the best of cases, remained stable. Chile can say with pride that the percentage of Chileans who live in poverty has dropped from 40 percent in 1989 to 28 percent in 1994, and that those living in extreme poverty did not surpass 8 percent of our fellow countrymen in 1994. By late 1996 we will have reduced poverty to 24 percent of the population. One can appreciate this fact when touring the country.

The government's social expenditure has a real impact on the people. One of its most outstanding effects has been to reduce the consumption gap between Chileans. Without the social programs and subsidies implemented by the government, the differences between the two extremes would have been 13 times as great. The government programs have caused the difference to drop to about 8.6 times. On salaries, we can see the minimum income has really increased by about 55 percent since 1989, and that public servants' incomes have increased by about 39 percent. This has had a redistribution effect which is reflected in a significant increase of access by modest families to consumer goods like washing machines, refrigerators, and telephone lines.

We have made and continue to make great efforts in quantity and quality with the purpose of overcoming extreme poverty. The fact that we earmark 70 percent of the national budget for social expenditures clearly indicates the government's will in this field. [passage omitted on efforts to improve health service, housing facilities, and labor training]

Beside promoting the modernization of the public administration, in 1996 the government began a Training Program for public enterprises that will train 30,000 employees.

Increasing the Capacity of Micro-Enterprises and Small Producers

The internationalization process and the growth factor impose a renewed urgency to tackle the challenges of the productive modernization. These challenges imply helping significant sectors that have still not joined the country's economic dynamism, giving them access to the resources they need to operate successfully within the context of changing and competitive markets.

Without a paternalistic attitude, we want to cooperate with the modernization efforts by the protagonists, by acting on factors that restrict their possibility for growth. Our support for farmers, fishermen, small-scale miners, micro-enterprises, neglected towns, and significant numbers of small- and medium-scale enterprise fall within this framework. [passage omitted on government's projects to help small-scale enterprises, efforts to attain equity]

During these past years many fellow countrymen have managed to pull out of extreme poverty. They have left behind times of anguish, made progress and continue to grow with dignity. We will not remain impassive, awaiting the market's blind automatism to benefit them. It is our political and moral duty to support these thousands of Chileans and reward them for the great effort made. [applause]

I want to make it clear: Our country now has sound bases so that, beside the objective of overcoming all forms of extreme poverty, we may also in a serious and responsible manner pursue the objective of building a society with equal opportunities for all. We cannot stick to social policies based on subsidies. The current and future challenge for our social policy is to turn that great Chilean will into real and effective opportunities for all Chileans.

That is the great spirit that encourages the new emphasis we want to grant our social policies; this is the spirit that must reflect our public actions and must characterize the entire state actions.

I want to show the country, with examples of specific policies and announcements of great and very concrete impetus, our desire to increase the opportunities for those Chileans who have pulled out of poverty. [passage omitted]

Strengthening Regional Administration

In keeping with the objective that, by the end of my administration, 42 percent of investments earmarked for the regions will be decided at a regional level — on which we are already progressing — and considering large public and private investments in the region, our main objective is to increase the technical and administrative capacity of regional and local governments.

The Regional Government Staff Law has already been implemented and the Municipal Revenues and Municipal Common Fund laws have been approved. Beside the program to improve regional government administrations, this year several rules in the Budget Law have been amended to make the FNDR [expansion unknown] more expeditious. Since late April a quarterly balance of this fund has been made public and we have decided to subject the FNDR to a permanent evaluation program including performance indicators that will be taken into account for earmarking new resources to the regions. We want to resolve problems related to the execution of regional budgets that have existed for decades, and to clearly improve the pre-investment phase — especially

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while preparing and assessing the projects — thus improving continuity and enhancing the quality of regional public investments.

Municipal Law

We hope the Municipal Reform Bill will be approved soon so it may be enacted before the new municipal authorities assume their posts. This bill offers the necessary tools to resolve many of the problems the administration has endured during the past years because it increases the autonomy of the municipal districts, enhances the decisionmaking power regarding local development investments, makes the municipal organization more flexible and enhances the mayor's role as the head of the municipal administration. At the same time it increases the municipal council's administrative and supervisory authority.

Through these efforts we hope regional and local levels can maximize the opportunities they have and help Chileans to progress, regardless of where they live.

An Ethical Principle to Sustain Current Opportunities

I have always asserted that the realization of our historic opportunity is tied to the attitudes and behavior of groups and the people that comprise our community. This belief grows as I see the changes and progress in our fatherland. When I tour Chile and see efforts by our people to grow, when I hear their concerns and problems, the same idea keeps coming to my mind: The responsibility lies in the hands of the leaders of our fatherland.

Currently our people have more elements to let them know the way our country is going and at the same time are more aware of the efforts made to make progress. Therefore, our citizens obviously want their leaders, of the most varied areas, to act as true public servants — they don't want them in a public post merely in search of fame, monetary rewards, or just for the desire for power. The requirement is quite simple: He must serve the people and look after their concerns.

In my capacity as president I can see what we have achieved as a nation, I can see the incredible progress made, and also the magnitude of the challenges that lie ahead. Prudence tell us to safeguard our achievements and exploit them fully.

We backed by generations. Many unknown Chileans prepared this phase with work and hope. Each political force contributed to this common task and knows of sorrow and tragedies. Many of our best leaders died in struggles and conflicts. Democracy was restored through numerous gestures and acts by thousands of Chileans who, for years, kept the democratic hope alive. Nothing we have achieved has been easy, everything has been done step by step. Therefore, we must act in a responsible manner with all that has been achieved with effort for years.

It is enough to look at other regions of the world to realize that peace has not been fully attained and much less for good: It is also obvious that peaceful coexistence, the cleaning of cities, safely walking the streets, scientific-technological development, production in factories and in the fields, a balanced ecosystems, and childcare have not been fully achieved. None of these things can maintain themselves spontaneously, or can be kept by an invisible hand of the market or by the current political balance. It is kept and supported by a renewed daily desire to maintain the correct attitudes demanded by the tasks of the moment (applause).

Our country must work hard to build true ethics in public behavior. Those who gratuitously apply the fantasy of suspicions about people and institutions, and who in the end only show a personal fascination for scandal, can hardly cooperate in this task. Likewise, those who instill hatred and fear in our people in the belief that they are doing a task of tremendous spiritual value are unable to cooperate. A society that erects walls to stop ghosts merely wastes its best energies, especially that of young people.

A free society does not live under restrictions or repression, it does not fear mature judgement of those who make up this society. Those who speak must be responsible for what they say. They must be responsible for the consequences of their words just as they must be responsible for the consequences of their actions. The time has come for more open and free coexistence based on responsibility and on creating greater confidence.

This new period demands greater credibility in the different activities of national life. Any long-term company needs credibility. The temptation for easy profit and short-term success must be left behind. A good quality policy and an economy with major pretensions is nurtured through multiple daily exchanges based on the presumption of good faith; that it is possible to believe in the word of others. Without that spirit, our coexistence will definitely be burdened by suspicion and endless controls.

Recently we were able again to pacify our spirits and to leave aside deeply-rooted rancors. The great task of the present times is to be responsible for what we have achieved and to attain ethics of public behavior that will allow us a more open and free coexistence (applause).

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My Fellow Citizens of the Senate and of the Chamber of Deputies

After a little more than two years of administration I can responsibly say that Chile is walking with decisive steps toward the achievement of its great historical opportunity.

The expansion of our economic bases, the quality of international reinstatement, our current process of major modernization, and the progress achieved in fighting poverty, allow us to say that Chile is irreversibly walking toward a new stage of its development.

This success is to be attributed to our citizens and leaders who from the different areas of our fatherland contribute through their perseverance, their work, and their generosity.

Our legitimate satisfaction cannot be mistaken for complacency. No one can remain outside this great trend of the future. We are not trapped by political conflict or by economic disorder. On the contrary, we are a Chile enlightened by a true hope.

In a state like this, no one can remain apathetic or indifferent. Our nation demands the recovery of its deepest energies if it is to prepare for a new period of achievements.

We need more discipline to attain the fruits of our hard work. We need more courage to strengthen the changes demanded by democracy and justice.

We need more creativity to open new paths toward consolidated actions, the quest for equality, a spirit of cooperation, and understanding.

Fellow citizens: If I dare to ask for more, it is because I am also humbly willing to give more of myself.

Fully aware of my historical task, I promise to be the first to work tirelessly for this fatherland that deeply feels that the time for its dignity has come. (Viva Chile)

Colombia

Colombia: Minister on Disputes With Venezuela, U.S.

PA2905153596 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 29 May 96

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] [Unidentified reporter] The Rio Group foreign ministers summit has concluded successfully in Cochabamba. We now contact Colombian Foreign Minister Rodrigo Pardo to get his comments on two current issues, one on Venezuela and the other on the United States. We would like to broach the first issue. Mr. Minister, will the planes that were allegedly confiscated in Venezuela and brought to Colombia be returned?

[Pardo] What you have stated is true. Venezuela is claiming two planes. The origin of one of the planes is, apparently, totally clear and will be returned [word indistinct] but there are doubts about the license plate of the second plane, because it was apparently changed. All this indicates, however, that Colombia is working to return vehicles, both land and air vehicles, following the procedures stipulated by our laws. Our laws compel us to receive a request from Venezuela and that it comply with certain requirements. People's vehicles cannot be taken away from them without proving to them they were stolen and originally had legitimate owners in Venezuela; thus, it is imperative that Venezuela present the documents of the vehicles. When that happens, Colombia will be willing to return the vehicles and it is and has always been cooperating to further this end, but we cannot return the vehicles if individuals and the Venezuelan Government do not comply with the necessary procedures. We cannot do so, because it would be totally illegal.

[Reporter] Does Colombia really believe the United States is meddling in its domestic affairs?

[Pardo] I believe statements such as the ones given on 23 May, excuse me, 24 May are totally unacceptable. They are an intervention, because they are certainly seeking a specific result in the internal process Colombia is furthering. This is unacceptable, and all the talks we have held here, both at the Andean as well as at the Rio Group levels, clearly mark that the [two-second break in transmission] will not accept interventionist policies related to the countries' actions in their struggle against drug trafficking or any other matter.

[Reporter] Has Colombia informed the State Department of this position?

[Pardo] We have made statements that have been made publicly, and U.S. authorities have even commented on them, but we will have the opportunity to talk to U.S. officials in forthcoming days and will reiterate Colombia's position, a position that has been stated and repeated many times; nevertheless, in view of the very negative message sent by the State Department on 24 May, perhaps we must reiterate it again.

[Reporter] How would you describe our relations with the United States?

[Pardo] I would certainly say they are going through a bad period, the main reason for which is that the

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United States is implementing an incorrect policy toward Colombia. It is a policy that has resulted in unfortunate, unfair, and, I repeat, erroneous decisions such as the decertification of Colombia, after which, obviously, relations cannot be normal. This decision, among other things, indicates that in the fight against drug trafficking, we have fallen to the totally inopportune and useless temptation of making mutual recriminations instead of coming to an agreement to fight against a common enemy.

Given the importance the United States has for Colombia and Colombia has for the United States, I believe, despite all this, we are responsible for finding ways to handle our relations in fundamental issues such as commerce and investments. Of course, the fight against drug trafficking will continue even with the reduced level of our political relations. This is what we are doing and what we have been trying to do, even regarding issues such as commerce and investment.

Colombia: Samper's Lawyer Assesses 1st Day of Proceedings

PA2905151296 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 29 May 96

[Telephone interview with Luis Guillermo Nieto Roa, defense lawyer of President Ernesto Samper Pizano, place not given, by Dario Arizmendi in the network's studios in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Here is an assessment of the first day of the Chamber of Representatives' proceedings against President Ernesto Samper Pizano. Here is the opinion of the president's defense lawyer, Luis Guillermo Nieto Roa. Any surprise?

[Nieto] None so far. On the contrary, I am very pleased, because I was under the impression that the topic on the right to file a request to disqualify several congressmen could last two days, but it concluded yesterday. The Ethics Committee rules on that request. According to the law, this does not suspend the proceedings; therefore, the debate can get started in earnest, something which is what I believe the country is expecting quite anxiously.

[Arizmendi] Regardless of the Ethics Committee ruling on the 26 congressmen whose qualifications have been challenged?

[Nieto] The debate continues while the committee reaches a decision. It has a three-day period to reach a decision. Meanwhile, I repeat, the debate continues smoothly.

[Arizmendi] Has it been decided whether you can or cannot participate in the debate?

[Nieto] The Chamber president has said, as I read in this morning's newspapers and heard yesterday in the news media, that Chamber representatives, the Prosecutor General's Office delegate, and the president's lawyer can participate in the debate; thus, I believe this matter has been resolved. This seems logical to me. It would be absurd to deny the president the right to defend himself [words indistinct].

[Arizmendi] The debate in earnest, the analysis of the Accusations Committee report begins at 1400.

[Nieto] The lawmakers should go to this point directly. As is logical, the first thing would be to read the Accusations Committee proposal approved on 23 May. It is very likely once that report is read—and I do not know whether this is what they will do—but the norm is that the committee will be able to explain its proposal if it deems it necessary; otherwise, the lawmakers will register their names to speak. That is what I think. Although I am unfamiliar with that aspect, I think they will be registered following no specific order. The registration will follow no specific order. The representatives will speak based on the corresponding list until there is no one left on the speakers list. In my opinion, at this point the delegate of the Prosecutor General's Office must speak, and I will speak after he is through. Then, the voting begins.

[Arizmendi] Can you give us your views on how the Chamber's Board of Directors and President Rodrigo Rivera have handled the first day of sessions?

[Nieto] I believe the Chamber president yesterday demonstrated he has sufficient skill to handle the debate. He is impartial, quick, and imposes his authority. I believe that Rodrigo Rivera is handling the Chamber properly and that he will be one guarantee in the proceedings. Although somebody protested that he had not been allowed to speak despite his insistence, I believe this is not Rivera's fault but that of the electronic system being set up. The lawmakers will use this system to request to speak. I did notice that technicians were hurriedly going from one desk to another, leading me to believe that the electronic system at certain desks was not functioning properly. It could be that someone was requesting to speak, but the system was not registering it. One pushes a button and his name is registered in the Chamber president's computer. The president, in turn, allows the congressmen to speak based on that order. In this way, it is almost impossible to try to prevent anyone from speaking. If the system does not work for any reason, anybody can push the button insistently but his name will not be registered in the computer. Despite this and until this technical aspect is worked out, my impression is that Rivera behaved in an impartial

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manner. Again, one can see he has authority over the Chamber and imposes the proper order. It seems to me that this is very important, because the country needs to see an organized debate, a serious debate, a debate that is not a circus, a debate without insults. This is one of the points on which one must insist. I hope no lawmaker will get carried away so we will always maintain the lofty nature of the debate. I do not mean a soft debate, as it could be very hard and categorical, but it must always be within the bounds of good manners.

Colombia: 30 Congressmen Disqualified From Samper Case

PA2905201396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 29 Mar 96

[Report by Javier Contreras and Gilberto Alvarado; from "The Midday Newscast"]

[FBIS Translated Text] Thirty congressmen have been disqualified [recusados] from participating in the case against President Ernesto Samper Pizano at the Chamber of Representatives. There are 19 liberals, seven conservatives, and four independents, eight of whom belong to the Accussations Committee and the Chamber of Representatives.

Meanwhile, the Ethics Committee is meeting at this hour after having received the list of disqualified congressmen and is conducting a case by case examination of each of the 30 congressmen who, according to their colleagues, must be blocked from participating in the trial against President Samper. Each of the disqualified Congress members will be summoned to testify in his own defense, and the Ethics Committee in full will subsequently decide whether their disqualifications are valid.

The following are the congress members challenged by Pablo Victoria and Alfonso de La Espriella:

Jaime Arango, Roy Barrera, Ingrid Betancur, Heli Cala, Lazaro Calderon Garrido, Roberto Camacho, Melquiades Carrizosa, Juan Ignacio Castrillon, Santiago Castro Gomez, Colin Crawford, Marta Catalina Adames, Jorge Domingo Davila, Miguel de la Espriella, Maria Paulina Espinosa, Jorge Humberto Mantilla, Zulia Maria Mena Garcia, Heyne Mogollon, Roberto Moya, Tarquino Pacheco, Fernando Tamayo, Ramiro Barreto, Pablo Eduardo Victoria, Octavio Zapata, Carlos Alonso Lucio, Jairo de Jesus Ganem Vuelvas, Freddy Ignacio Sanchez, Osvaldo Dario Martinez, Javier Tato Alvarez Montenegro, Agustin Hernando Valencia, and Hernando Emilio Zambrano Pantoja.

Colombia: Attorney General's Office Supports Samper

PA3005021796 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 29 May 96

[Report by Diana Matheus in Santa Fe de Bogota; from "The Latest News"]

[FBIS Translated Text] The Attorney General's Office has reiterated its support for President Ernesto Samper Pizano and has stated that he is innocent of the charges filed against him over the alleged infiltration of drug money into his electoral campaign. Another conclusive statement was submitted today to the Chamber of Representatives' plenary session, where the trial against the president is being held.

Fernando Gomez Gomez, a delegate of the Attorney General's Office, said that the trial is full of slander. He also believes that the charges filed by Prosecutor General Alfonso Valdivieso at the Chamber of Representatives' Accusations Committee have been hasty. He says Samper has received and given all of Colombia a lesson in honor, dignity, and decorum during this year of investigations into Case 8000.

This new conclusive statement is similar to the one previously submitted to the Chamber of Representatives' Accusations Committee by Fernando Gomez Gomez, who reiterated that Samper is innocent of the possible infiltration of drug money into his electoral campaign.

Colombia: 'Illegal Enrichment' Causes Legal Controversy

PA2905130296 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2340 GMT 28 May 96

[From "Caracol's Latest News" newscast]

[FBIS Translated Text] The Rodriguez Orejuela brothers' confession of having spent 12 years in drug trafficking activities is enough evidence for the Supreme Court of Justice to continue its cases against congress members jailed and charged with illegal enrichment of private citizens.

According to new jurisprudence, a previous conviction is not necessary; but rather, that there be complete proof of criminal activity. This proof could be obtained through a confession, such as occurred with Gilberto Rodriguez Orejuela, who had properly substantiated charges made against him. It is also similar to the case brought against Miguel Rodriguez Orejuela, before he admitted his illegal activities.

Magistrates for the high tribunal explained to Caracol that this overrules the decision by 32d Municipal Judge

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Marlene Orejuela Rodriguez, who granted a petition for protection to journalist Alberto Giraldo, based on old Supreme Court of Justice jurisprudence.

In addition, it does away with one of the main arguments by Chamber of Representatives Investigator Heyne Mogollon, when he presented his draft requesting the closing of the case against President Samper.

The same sources also indicated this definitely buries the intentions to legalize the old jurisprudence through the so-called narcorider.

The Constitutional Court has never made an in-depth ruling on the illegal enrichment issue and has not said that a previous conviction is needed for a crime that originated an unjustified increase in assets.

Constitutional Court experts explained to Caracol that in 1993 a lawsuit was presented to the Constitutional Court against the article typifying the crime of illegal enrichment. But the conclusion was that there could not be a ruling because in 1991 the Supreme Court of Justice declared this to be unconstitutional.

It was in this 1991 case that the Supreme Court of Justice ruled that a previous conviction was required to investigate a person for illegal enrichment. Nevertheless, that court's decision, which was made when the court exercised constitutional control work, was revised by the Supreme Court of Justice itself last year. It ruled that a confession or a well-based accusation is sufficient to recognize a criminal activity, which can be the origin of an unjustified increase of assets.

Nevertheless, the Constitutional Court has the last word since the new lawsuit presented against illegal enrichment is about to be resolved, which justifies the magistrates' silence surrounding the controversial issue.

Colombia: FARC Kills Mayor in Antioquia Department

PA2905184796 Madrid EFE in Spanish 1521 GMT 29 May 96

[FBIS Translated Text] Medellin (Colombia), 29 May (EFE) — Official sources announced today that the FARC [Revolutionary Armed Forces of Colombia] has killed John Jairo Cardenas Uribe, mayor of Puerto Valdivia in Antioquia Department, Colombia.

Colombian civilian and military authorities have charged the FARC with killing six other mayors from this region so far this year.

Cardenas Uribe, 31, was a member of the (ruling) Liberal Party. He was kidnapped on 23 May, and his corpse was found the night of 28 May in a rural spot along the highway between Puerto Valdivia and Taraza, about 600 km northwest of Santa Fe de Bogota.

The mayor had been held hostage along with five other individuals who were released later. The kidnappers had announced they would set the mayor free with a message addressed to the government.

During the first five months of 1996, six other mayors have been killed in Antioquia Department, including the mayors of San Pedro de Uraba, Argelia, and San Carlos.

The FARC, the oldest and largest rebel group in Colombia, initiated a series of attacks last weekend on the anniversary of this guerrilla group created in the 1950's.

This same insurgent group has been charged with committing various massacres against banana workers in Uraba. According to police sources, the FARC is fighting for the political control of this region with paramilitary "squads."

Colombia: Sentencing for Drug Traffickers Discussed

96GE0037A Santa Fe de Bogota EL TIEMPO in Spanish 24 May 96

[Received via Internet]

[FBIS Translated Text] First it was the Ochoas; now it is Patino Fomeque. His case is just the first in a series of sentences currently in progress. No kingpin will be penalized with over 12 years in prison. That is the effect of the current surrender policy.

In 1993, an Athenian court condemned the Colombian, Moreno Peinado, aged 54, to seven life sentences. It accused him of smuggling 194 kg of cocaine into Greece. Yesterday, in Colombia, the National Court sentenced Victor Patino Fomeque to an effective term of 12 years in prison. The evidence reveals a decade of criminal activities.

Even more paradoxical is the fact that the court amended the sentence handed down a couple of months ago by a regional judge in Cali. The latter had, in fact, set a term of only six years for the Cali cartel's sixth-ranking member.

The 12-year prison term for Patino is just the first in a series of sentences in progress against the six Cali cartel kingpins arrested by the authorities, and nearly a dozen terrorists from the Medellin cartel, who will receive prison terms ranging from 16 to 20 years.

Why is this happening? According to the creator of the surrender policy, the ex-minister and ex-magistrate Jaime Giraldo Angel, "it is happening because the

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original law was amended to benefit criminals in a totally shameless manner."

Giraldo Angel added: "However, what is even more serious is the fact that we cannot see any clear prospect for achieving an amendment to the criminal law, because the only thing that can be expected of this Congress is an attempt to eliminate crimes. This is almost happening to us now, in the case of illicit enrichment and 'narco-elections.'"

Other jurists queried by EL TIEMPO claimed that, if one of the leading kingpins of the drug traffic is sentenced to a prison term with these concessions, "what can be expected from over 12 proceedings against Mafiosi currently being tried by the authorities?"

And, in fact, the list of persons identified as drug trafficking kingpins on a worldwide scale who would be "ad portas" [eligible] for a sentence with benefits includes the brothers Gilberto, Miguel, and Jorge Rodriguez Orejuela; Phanor Arizabaleta, Henry Loaiza, Helmer Herrera, Julian Murcillo, Juan Carlos Ramirez Abadia, Juan Carlos Ortiz Escobar, and Luis Alfonso Maquilon, charged as presumed members of the Cali cartel.

Still waiting for the justice system to issue their sentences, in the case involving the dismantled Medellin drug trafficking organization, are Carlos Mario Alzate Urquijo, alias "El Arete"; Jorge Pizano Santamaria, Javier Hernando Munoz Echavarria, Juan Diego Arcila Henao, and Juan David Rossi, among others.

The Debate Revived

As has been noted, last February a regional judge of the first instance in Cali issued a six-year jail sentence for Patino Fomeque, based on drug trafficking and illicit enrichment.

The sentence caused a commotion among the public, because of the record of the Cali cartel's six-ranking member.

At the time, the minister of justice, Carlos Medellin, declared that Patino belonged "to a criminal organization whose felonious activities have affected the innermost core of our society, causing the most profound social harm. And yet he has obtained from the justice system a sentence out of proportion to that immense damage that the crime of drug trafficking and its associated crimes have inflicted on our community."

Since then, the debate has been revived concerning the benefits that the Policy of Surrender to Justice has granted to criminals, and the impunity that can result from it.

An auxiliary jurist from the Supreme Court expressed his concern that "the public might think that we are judges who will ultimately impose ludicrous sentences for the most serious crimes; whereas, in fact, our hands are tied by a lenient law, beneficial to criminals."

Members of the National Court itself claim that the leniency of the penalties "is not their fault." They maintain: "What we are doing is applying the law, which is known as a Code of Criminal Procedure, automatically specifying the reductions in penalties that are to be applied. And we abide by that."

To "untie the judges' hands," ex-Minister Giraldo Angel thinks that the law on surrender to justice that he was responsible for sponsoring should be subjected to a total amendment.

He explained: "We should return to that strict law whereby incentives were granted only to criminals who voluntarily surrendered to the authorities, requiring that the confession of their crimes must be the fundamental grounds for granting the benefit."

However, that principle of the law was amended, and now it is unnecessary to surrender to justice in order to receive benefits. If a person is in prison, and expresses his desire to take advantage of an early sentencing, he receives a substantial reduction in his penalty.

If the criminal admits to the crimes for which he has been tried, even though his confession is not used for issuing a sentence, he is granted benefits.

The most recent amendment to the Policy of Surrender (Law 81 of 1993) even goes so far as to allow, according to the principles of dosimetry, the granting of up to nine sixths of a reduction in the penalty for a criminal: one sixth for confession, two sixths for accepting the early sentencing, four sixths for informing on accomplices, and two more sixths for work and study.

The jurists consulted by this newspaper agree on a statement that demonstrates how the situation stands: "With the current system of penalties, it is possible to grant reductions until the penalty is eliminated, and the state can be left owing years of freedom to a confessed killer."

Could this be why Article 96 of Law 81 of 1993 contains a section specifying that, "in any case, a minimum sentence shall be applied"?

What Lies Ahead

When these records are compared with the judicial status of the drug traffic's leading kingpins, the following situation remains:

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As members of the Cali cartel, Gilberto and Miguel Rodriguez Orejuela have been tried on charges of sending three shipments containing 750 kg of cocaine to New Orleans, in the United States.

Individually, Miguel Rodriguez is facing trial for trafficking 150 kg of cocaine from Colombia to Costa Rica.

Jorge Eliecer Rodriguez Orejuela, alias "Canengo," has been accused of drug trafficking and illicit enrichment, and is confined at the La Picota prison in Bogota.

Henry Loaiza, alias "El Alacran," the Cali cartel's seventh-ranking member, now held in the La Picota penitentiary, has been investigated based on charges of drug trafficking and illicit enrichment. There are clues that could implicate him in murders and the formation of a school for hired killers.

Juan Carlos Ortiz Escobar, alias "Cuchilla," and Juan Carlos Ramirez Abadia, alias "Chupeta," have been accused of drug trafficking, illicit enrichment, and collusion to commit crime.

The policy of surrender to justice has already left for discussion its first results with Medellin drug traffickers. They relate to the case involving the Ochoa Vasquez brothers, who are about to be released.

For example, on 14 February 1994, Juan David Ochoa was sentenced to six and a half years in prison for drug trafficking, collusion to commit crime, illicit enrichment, and financing laboratories for drug processing.

Fabio Ochoa Vasquez, the youngest member of the clan (whose extradition has been requested by the United States), who, in February 1986, murdered Barry Seal, the principal witness against members of the Medellin cartel, was sentenced to eight and a half years in prison for drug trafficking.

Jorge Luis Ochoa Vasquez (whose extradition also has been sought by the United States) expects to be released from prison before the end of this year because, with the sentence reductions allowed by the policy on surrender, his eight-year prison term is now almost fully served.

Ecuador

Ecuador: Duran-Ballen Reportedly To Meet Clinton

PY2905181796 Quito Voz de Los Andes in Spanish 1700 GMT 29 May 96

[FBIS Translated Text] Ecuadoran President Sixto Duran-Ballen reportedly will hold important international meetings before the end of his term to discuss the border and monetary issues.

The Foreign Ministry has announced that during the next few days President Duran-Ballen will meet with President Bill Clinton to discuss the peace process with Peru. The date of the meeting has not yet been set because the U.S. State Department must first coordinate details with the Ecuadoran Foreign Ministry for the meeting with President Duran-Ballen.

Paraguay

Paraguay: Army Commander Says No More 'Coupist Generals'

PY2905030396 Asuncion ABC COLOR in Spanish 28 May 96 p 3

[FBIS Translated Excerpt] Division General Juan Evaristo Gonzalez yesterday pledged that "never again" will coupist generals be sheltered by the Armed Forces. He made this remark after his installation as 1st Army Corps commander at the "Aca Caraya" 4th Cavalry Regiment headquarters. Gen. Gonzalez replaces Division Gen. Santiago Zaracho. [passage omitted]

Gen. Gonzalez told the journalists that "never again" will there be any coupist officers within the military echelons. He said: "If there have been coupist generals within the Armed Forces, there are no more now and never again will there be any."

Gen. Gonzalez indicated that it represents a huge responsibility to replace Gen. Zaracho over the discipline and infrastructure improvements that he implemented at the 1st Army Corps units.

Gen. Gonzalez categorically pointed out that, as of now, all the institutions in our Republic, including the Armed Forces, must abide by constitutional provisions. The 1st Army Corps commander pondered: "There is nothing to do, we have to adjust to democracy."

Asked if he is aware of the responsibility involved in becoming commander of the 1st Army Corps, which apparently included a group of rebellious officers on 22 April, Gen. Gonzalez pointed out that it is important to not mistake men for institutions.

Asked about his description of Gen. Lino Oviedo's attitude on the evening of 22 April, Gen. Gonzalez said he did not talk "much with Gen. Oviedo that evening." [passage omitted]

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Paraguay: Editorial Views Country's 'Moral Decadence'

PY2905002496 Asuncion ABC COLOR in Spanish 27 May 96 p 12

[Editorial: "A Larceny Which Evinces Paraguay's Current Moral Decadence"]

[FBIS Translated Text] A moment's inadvertence sufficed for the wristwatch of the former president of the oriental Republic of Uruguay, Luis Alberto Lacalle Herrera, to vanish from the lectern where he had placed it during his address before the Chamber of Deputies. It goes without saying that the watch did not evaporate; it was stolen.

This is how things are going in Paraguay. Much to our shame — in a country where from time immemorial until only some years ago, there were very few thefts — one cannot even drop one's guard in the Congress building. Worse still, not even a gentleman like Mr. Lacalle Herrera can drop his guard when being received by the members of one of the chambers of Congress although Congress security guards and several of Lacalle and the president's bodyguards were near the former Urugayan president in that room.

Obviously, something is rotten in the Republic of Paraguay. When one sees that some 7 billion guaranies were stolen from the Central Bank's vaults and that the case has not yet been elucidated nor has a single cent been recovered despite the hullabaloo that was made at the beginning; that of all the government officials under [former dictator Alfredo] Stroessner who were swindlers — including Stroessner himself — only two or three have returned part of the stolen money; that virtually every day, the media report about a new scandal — holdups, frauds, smuggling, scams, briberies, money laundering —it seems that honesty, if not dead, is agonizing in Paraguay, sheltered perhaps amid those who have no occasion of breaking the law or who have the courage of their convictions and refuse to engage in dishonest activities.

Undoubtedly, a daunting task lies ahead the National Police and particularly, judges and prosecutors, who must make every endeavor to rise to the task entrusted to them. Nevertheless, repression is neither the best nor the most lasting solution. Education is the key. Education within the family; education at schools and universities; education through the teaching of the priests; education through the teaching of the press; education through the good example politicians' behavior set; finally, education until a healthy environment is created, an environment in which honesty is regarded as one of the most important values and dishonesty is considered as an unforgivable ground for discrediting a person.

Should the person who appropriated Mr. Lacalle Herrera's wristwatch be of Paraguayan nationality — which is most likely — he/she ought to know that the damage he/she caused his/her illustrious victim pales into insignificance beside the damage he/she has inflicted on Paraguay. The thief robbed the former Uruguayan president of an object, quite valuable perhaps both from a material and affective standpoint, but a replaceable object, after all. Whereas in the case of our nation, that person dishonors her in the eyes of the world by clearly showing how far moral degradation has permeated our country. Let us hope that this tremendous evil racking our country will at least serve to help further a reaction against all forms of dishonesty, something which our country badly needs.

Paraguay: Administration Urged To Fight Corruption

PY2805230896 Asuncion ULTIMA HORA in Spanish 23 May 96 p 18

[Editorial: "Let's Combat Corruption Before It Destroys Our Country"]

[FBIS Translated Text] Paraguay's democratic process is lacking in fortitude. There is too much agitation and little serenity. Our country needs to devote all its efforts to come to grips with questions which demand a solution and which will contribute to our development. Furthermore, we must urgently improve the public's perception that we are cracking down on corruption, since these irregularities convey a frivolous image of our country.

With this context, the incumbent administration should be the first to set a good example evincing, more than ever before, two fundamental attitudes, namely prudence and the fulfillment of its duties with rationality and managerial ability. We ought not to dissipate our energies in trivial endeavors which do not yield any benefit for our country. Nor should we procrastinate in taking action to correct deficiencies or correct our course.

There is a growing trend toward chasing red herrings, which feeds on the fact that we sit back and do nothing. In other words, we get lost amid the clouds of smoke used by those who, resorting to smokescreens, want to lead our attention away from our problems and the actions that must be undertaken so that our country will take off.

The subject of corruption provides us with a clear example. There has been an unceasing number of

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allegations made about corrupt practices, which have monopolized the spotlight. Still, we never seem to make a move and drag our feet instead of doing what is foreseeable and inevitable. This is how we proceeded in the case of embezzlements in the Central Bank of Paraguay, the removal of a certain minister from office, and the replacement of some authorities from state-run companies.

The executive branch has not always acted with due timeliness. Rather than taking action, it has reacted to these events.

Right now, our country has once again been shaken by the fraud committed within the Paraguayan Port Authority (ANNP) in the case involving the purchase of a piece of land. This is a most serious scandal that once again besmirches our country' reputation, signalling it as a foul and pestilent seat of corruption. It seems as if we cannot extricate ourselves from the vicious circle sketched by the mafia-like behavior in the administration of national financial resources and assets. Corrupt practices come to light here, today; there, tomorrow, in an uninterrupted succession.

It is incumbent upon the Wasmosy administration to send a different signal — to act with the necessary resoluteness to prove that it no longer furthers a policy that is complaisant vis-a-vis impunity. The incumbent administration should, therefore, immediately proceed to remove from office those facing charges of corruption, investigate them, and collaborate with the judiciary for their speedy prosecution and sanction.

The president's administration should not react to provocations readily and then look foolish in front of the public. Nor should it take ages to find those responsible for criminal actions and to demote and mete out punishment to those guilty of corruption. It is with regard to these issues that the administration should act with alacrity, lucidity, and seriousness. In doing so, the incumbent administration will not only improve its own image but also boost the public's confidence in it.

While we need investments, they will be conspicuous by their absence unless corruption is not combated with diligence and efficacy. Consequently, the Wasmosy administration must show that it is well disposed toward undertaking a head-on and exemplary struggle against corruption, because otherwise, it will sink into the mire and be unable to build a better future. At this rate, corruption will destroy our country.

Peru

Peru: Tudela on Ecuador's Border Colonization Announcement

PY2905152696 Lima EL COMERCIO in Spanish 26 May 96 p A4

[FBIS Translated Excerpt] Peruvian Foreign Minister Francisco Tudela said yesterday that Peru "has already adopted the necessary measures" in light of the Ecuadoran announcement that it will begin colonization programs in a jungle zone on the border which is found in Peruvian territory.

He said that within the framework of the colonization plan for indigenous communities, the Ecuadoran Agriculture Ministry and other public institutions have declared as colonization areas the Cenepa and Coangos Rivers, which are in Peru.

"One state cannot begin a colonization plan of territories that are found in another state. For this reason, Peru has submitted a note of protest to the Republic of Ecuador about this situation," he said.

He added that since this position is part of a broader policy that implies an educational aspect, Peru has informed the guarantor countries of the Rio de Janeiro Protocol. Likewise, a protest note has been submitted to UNESCO, he said.

Tudela said: "For several months, there has been intensive activity and concern at the Peruvian Foreign Ministry over these announcements, which are disturbing." He expressed doubts, however, about whether such an Ecuadoran announcement was made.

"But if this announcement was in fact made within the context of the demilitarized zone established in an area of the common border, the ideas and procedures agreed upon by the parties must be implemented and, of course, the military observers of the guarantor countries must be especially watchful," he said.

He said that this initiative will not prosper, but warned that if he has some indication that it might take place, "which he has not yet received," the guarantor countries and the mission of military observers must be mobilized. [passage on unrelated material omitted]

Peru: PERU ECONOMICO Analysis of Economic Activity

96SM0289A Lima PERU ECONOMICO in Spanish Apr 96 pp 1-8, 15-19

[Unattributed article: "Economic Activity Development"]

[FBIS Translated Text] *This issue of PERU ECONOMICO analyzes the performance of the principal sec-*

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tors of economic activity. The analysis indicates that while some sectors are experiencing a period of deceleration, others have not lost their rhythm of growth and have in fact turned in a dynamic performance. The overall GDP is expected to grow by about 4 percent in 1956 because of the combination of fiscal and monetary policies that will be implemented in the coming months.

Uncertainty in the Construction Sector

In June of last year, the construction sector began to experience a marked decline in its rate of growth, to the extent that in December the GDP of the sector recorded a drop of 5.6 percent by comparison with December 1994, and during the first two months of this year negative rates of growth of more than 2 percent were being observed. This decline is explained basically by the fact that public investment in projects devoted to road repair and to prison, housing, and school construction has decreased noticeably since last year's elections. The government has reduced its investment because of its fiscal problems.

It should be remembered that in the past two years the highest rate of growth in the economy was recorded in the construction sector, which in 1994 grew by 34.5 percent over the figure for the previous year, and by 17.6 percent last year. Building contractors interviewed by PERU ECONOMICO maintain that the rate of growth in the construction sector this year will be 10 percent above that of 1995, and they estimate that between $300 million and $400 million will be invested in the private construction of housing, hotels, and shopping centers and approximately $800 million in public works.

"The execution of some publicly financed works projects has been postponed for the time being," says Jose Ortiz, president of the Peruvian Chamber of Construction (Capeco). "The number of public works projects advertised for bids is decreasing, because the government has reduced the sums that it had planned to invest in their execution, and also because bidding on other public works is in progress. It is possible, however, that these funds will begin to be restored early in the second half of the year."

With respect to housing programs, the public sector has accepted the challenge to reduce the annual shortage of 1 million housing units by authorizing Enace [National Building Enterprise] to construct multifamily buildings. Last year, however, the number of projects on which bids were accepted by Enace was reduced to 23 multifamily buildings in several Peruvian cities for a total base cost of 88 million soles. In 1994, 37 multifamily buildings were built at a total base cost of 110 million soles. Moreover, the government is promoting self-construction of housing by means of loans supervised and granted by the Building Materials Bank (an average of $85 million per year is granted). In this connection, we interviewed one contractor who explained that "self-construction is the wisest policy, given the lack of any housing policy." Capeco estimates that 10,000 loans will be granted this year totaling between $40 million and $45 million, and that projects for building 5,000 housing units in the form of multifamily buildings will be carried out at a total cost of between $64 million and $72 million.

"This was not the dynamism we were expecting," an executive of Gessa Engineers says. For his part, Arturo Velasquez, an expert in the construction field, comments that "the construction of public housing has been limited by the low level of monthly mortgage loan payments collected, as evidenced by the fact that whereas the collections and utilizations carried out by the Fonavi [National Housing Fund] since its creation in 1979 are in excess of $1 billion, the value in a given month of its entire portfolio of recoveries (the monthly payments to be made in the future by its borrowers) barely comes to $100 million."

For its part, Infes [National Education and Health Infrastructure Institute] during the past year accepted bids on 284 schools for a total base cost of 235 million soles, compared to the 500 schools on which bids were accepted in 1994 for a total base cost of 343 million soles. Moreover, Sedapal [National Potable Water and Sewage Service] plans to invest $312 million over the next five years for the execution of projects designed to improve the supply of water to Metropolitan Lima.

Waldo Carreno, the deputy minister of Transport, Communications, Housing, and Construction, has informed the contractors of the 1996 Highway Investment Plan. The Ministry's budget for this year comes to 1.58 billion soles—barely 2 percent above the figure for last year. The principal sources of financing are the Treasury (48 percent) and borrowing (46 percent). Of the 272 projects scheduled for 1996, 83 percent will be executed by private contractors and will represent an expenditure of 1.241 billion soles.

This reduction in investment for construction is reflected in the results posted by the industries that relate to the construction sector. For example, sales in the cement industry have reflected a decline in demand since last October. Moreover, during the first months of this year cement sales have been below the average for last year. Sales of steel for construction have recorded sustained growth because of the execution of projects that continue to demand this commodity, whereas asphalt sales decreased from 108,000 barrels in October 1995 to 51,000 in February of this year. These

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indicators reflect the fact that bidding is still in progress on the Highway System Repair Programs—one of the most dynamic plans to be developed between 1994 and 1995.

Ortiz explains that "construction is the sector that most easily absorbs unskilled labor, because it creates jobs rapidly." According to Capeco, 48 percent of the labor pool in the construction sector (more than 250,000 workers) is currently employed.

Although the private sector is still not participating at adequate levels—for example, by developing sustained construction activity—the real estate market is expected to be strengthened by the reduction of interest rates on mortgage loans. This in turn has generated an increase in the demand for home ownership and for the financial resources to fulfill existing commitments for investment in hotel infrastructure. In this connection, investment in private building construction in Metropolitan Lima increased by 9.2 percent in 1995 by comparison with 1994, although this category of investment registered a decline of 6.9 percent in January of this year by comparison with January of 1995. The so-called real estate "boom" [preceding word in English], however, is a phenomenon that has been concentrated only in Metropolitan Lima and specifically in the districts of San Isidro, Miraflores, Surco, and La Molina. Moreover, the new mortgage products offered by the multipurpose banks are focused on the upper and middle socioeconomic strata. "No increase is observed in real estate offerings in the provinces," Ortiz adds.

There is a consensus among building contractors to the effect that the reduced cost of financing the construction of housing will stimulate greater activity in the real estate market. Until February of this year, the average interest rate asked by the banking system for real estate loans was between 18 and 19 percent per annum. In early March, however, the Santander Bank put on the market a mortgage product that bore a fixed interest rate of 13.8 percent per annum in dollars and terms of up to 15 years. The Credit Bank and South American Bank reduced their interest rates on mortgage loans to 14.5 percent per annum. Oscar von Chrismar, the general manager of Santander Bank, explains that "there was a great unsatisfied demand for housing in Ecuador but no financing mechanism adequate to satisfy it. It was obvious to us," he says, "that Peruvian households were unable to purchase a residence because they could not afford the high interest rates charged by the financial systems. For this reason we decided to introduce a mortgage product that would bear a rate of interest capable of establishing an adequate balance between what these households can afford and the interests of the bank."

The contractors believe that the government should facilitate access to home ownership by granting loans under systems of financing that would enable prospective purchasers—including low-income households—to amortize their home over a period of many years, inasmuch as the most significant category of private housing on the market consists of informal self-construction in Lima, as a consequence of the phenomenon of inmigration. Carlos Mariategui, manager of the negotiating unit of Karpa—a company of the Carsa Group that is financing self-construction by means of transactions involving the sale of building materials—states his opinion. "We have favorable expectations," he says, "because of the government's plans to provide additional support for the recording of real property, whereby the number of properties recorded is expected to increase by 200,000 during 1996. In our initial months of operation, 60 out of 100 applications were rejected because the housing in question was not recorded. We currently anticipate that more people will be able to accept our offer and thereby conclude a total of 20,000 transactions that have an average value of $500."

Mining and Petroleum Sectors

Mining and petroleum will this year continue the same growth trend that they recorded last year. In the mining sector, production is not expected to record any major changes despite the fact that the levels of investment are expected to increase by approximately 15 percent, according to various mining executives interviewed by PERU ECONOMICO. An immediate recovery in the petroleum sector is not anticipated, inasmuch as growth in this sector will occur only in the medium and long term.

According to official figures, the mining GDP declined 0.77 percent by comparison with the same period of the previous year. "To speak of a recession in the mining sector is not justified," they say, "inasmuch as the change recorded in the first two months can definitely not be extrapolated to the entire sector," a representative of the National Mining Association (SNMP) declared. In the first two months of the year the production of copper, lead, silver, gold, and tin increased by 6.8 percent, 7.4 percent, 3.3 percent, 8.6 percent, and 9 percent respectively, while zinc and iron production declined by 1.8 and 18.8 percent respectively. "One of the principal factors that has influenced the performance of the mining GDP has been the sharp reduction in the activities of Shougang because of internal factors," the SNMP representative explained.

In the opinion of Miguel Cardozo, regional manager of North Limited, production levels in the mining sector as a whole will probably not vary significantly in the

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short term, inasmuch as many of the projects are still in the exploration phase. "In this sector, the maturation process of any project begins with exploration and continues with production, and in the great majority of cases this process takes place over a period of no less than five and no more than seven years," an official of the Ministry of Energy and Mines declared. "In the case of Peru," he explained, "the only project scheduled to begin operations in the short term is the Iscaycruz zinc project, while the rest—including the Quellaveco, La Granja, Opaban, and Cerro Lindo projects and the Southern Peru, Ltd. (SPL) expansion project—are sill in a preliminary stage. That is why substantial growth in production in the mining sector of the Peruvian economy should not be expected to occur in the short term."

On the other hand, the SNMP representative explained that although adequate conditions of security and confidence do exist to justify long-term investment in Peru, the existence of unnecessary and excessive costs in connection with investment in the mining sector has caused major delays in some projects. "The inability of the exploration operations to recover the IGV [general sales tax] directly impacts the development of the sector, inasmuch as not only must we pay the 18 percent IGV but also the minimum income tax and an annual operating fee of $2 per hectare," the representative declared. He explained that if, for example, we assume that prior to the production stage $800,000 has been invested to explore an area of 100,000 hectares—and if fixed assets valued at $250,000 are already in place—the taxes will come to at least $300,000 per year: in other words, they will account for almost 40 percent of the total expended on exploration. A Ministry of Energy and Mines official told our interviewer, however, that these imposts are not at all likely to be modified or eliminated. "Over and beyond the quest for fiscal revenues," he concluded, "these expenses provide an incentive to make the investment process more flexible, inasmuch as they render it extremely disadvantageous to apply for a mining concession if it is not subsequently worked."

"This year will not see production return to normal in the petroleum sector," say the experts interviewed by PERU ECONOMICO. In this connection—according to information transmitted to Perupetro [State Petroleum Agency] by the various contractors—average annual production is expected to total 120,125 barrels per day (bpd), which would represent a decline of 1.3 percent from the figure for 1995, although other executives in the sector say that the decline in production might be greater, varying between 6 and 7 percent. Between January and March, petroleum production attained an annualized average of 117,426 bpd: that is to say, 7,816 bpd below the figure estimated by the companies for this period.

Felipe Thorndike, chairman of the Petroleum Committee of the SNMP, believes it "unlikely that anything will happen this year to cause a spectacular rise in oil production." One of the factors that are influential in this situation, he says, is the natural decline recorded in the oil fields of the northeast—after more than 25 years of exploitation—which "could offset any increase in the production of other fields." Moreover, in recent months Occidental Petroleum has had some difficulties in marketing heavy crude from Tract 1-AB (in the northern forest)—where the extraction process is more costly—which accounts for 43.8 percent of Ecuador's total oil production. Another factor that reinforces the hypothesis of a decrease in oil production is the small amount of exploratory activity, whose most important discoveries in recent years were those made in Camisea in 1986 and Chambira in 1989. It was only in 1989 and the following year that the decreasing trend in exploratory activity was reversed, with the drilling of 10 and 17 wells, respectively. It should be emphasized that since 1988 no more than 10 exploratory wells have been drilled annually, which is the international standard for making one commercial discovery of hydrocarbons. The experts interviewed by PERU ECONOMICO, however, believe it is unlikely that any new discoveries will be made this year, "because," says one petroleum expert, "the only tract that has a chance to commercially develop a major discovery is reputedly Tract 50—near the Norperuano Oil Pipeline—which is being explored by QMC [expansion not given], YPF [Government Oil Deposits] [of Argentina], Elf [Gasoline and Lubricants Company of France], and Enterprise Oil.

Despite the discouraging prospects for this year, however, "the first steps are already being taken toward a productive recovery of the sector in the medium and long term," a high-ranking oil executive commented. These steps include the signing of a larger number of exploration contracts and the privatization of Petroperu's Tracts 8/8X (in the northeast forest) and Tract X (on the northeast coast). The role of Perupetro will be basic in the signing of new contracts. Since the end of 1993, Perupetro has signed approximately 20 new petroleum contracts and has supervised the adaptation of six others to the new Hydrocarbons Act, involving minimum contractual commitments to invest $1.015 billion in the exploration of approximately 17,500 hectares. That would make it possible to drill approximately 20 exploratory wells per year. Some analysts believe, however, that this number of exploratory wells drilled per year is still insufficient for a country that possesses relatively unex-

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plored areas—in particular, the forest area and the continental platform—and a significant geological structure.

A top executive in the petroleum sector told our interviewer that if the privatization of Petroperu's tracts is successful, their production could be increased by 15 to 20 percent. "Merely by replacing production machinery at Tract 8/8X," he said, "the production of crude can be increased by 10 to 15 percent; and by improving the technology for the recovery of crude at Tract X, production can be increased by 20 percent." GMP [expansion not given] General Manager Francisco Dulanto, however, observes that "the transfer of the oil tracts to private ownership will not have an immediate effect" and that a reasonable amount of time should be allowed for evaluation of the results of the investment commitments.

In conclusion, Felipe Thorndike said that one sure way to increase oil production in the short-term would be to "stimulate the extraction of heavy crude." In this connection, Occidental has reportedly suggested to Perupetro that an effort should be made to exploit this type of crude, but it remains to be seen whether Perupetro will agree to this request, which would enable it to increase its production by 10,000 bpd.

Production in the Fishing Sector

Production in the fishing sector is directly related to the hydrobiological resources that are harvested and disembarked, which depends on the *stocks* [preceding word in English] of those resources that are available for fishing. These resources are in turn associated with two factors: environmental (oceanographic) factors—which affect the habitat of the marine species—and artificial factors, such as fishing. "Both factors," says an analyst of the fishing industry, "and the environmental factor in particular, have influenced the development of activity in this sector during recent months." Other experts, however, believe that the second factor—the fishing effort that reflected the development of excess capacity in the processing plants and fishing fleet—has also influenced the results obtained since 1994.

Fishing was the only sector of the economy that recorded a negative rate of growth last year, when its cumulative production declined by 14.6 percent from the 1994 figure. This result stands in sharp contrast to the result obtained in 1994, when production in the sector increased by 31.5 percent and together with construction recorded the highest rate of economic growth in that year. In the opinion of the fishing experts and executives interviewed by PERU ECONOMICO, however, 1994 should be regarded as an atypical year in which various factors came together to produce a total of 11.6 million metric tons of hydrobiological resources—the highest level of resources disembarked since 1970—a result that will be difficult to replicate.

Between January and February of this year, the GDP in the fishing sector recorded a decrease of 21.3 percent from the figure for the same period of last year, principally because of a reduction in the level of hydrobiological harvesting in the category of Indirect Human Consumption (CHI), which showed a decline of 28.2 percent for the same period. In this connection, the 42 percent decline in the total catch of anchovies has not yet been offset by the increase of 71.9 percent being recorded in the "other species" category, with sardines setting the standard of growth.

In the opinion of Cesar Chavez, managing director of the Peruvian Institute of Fishery Research (Inpesca) and former executive director of Imarpe [Ocean Institute of Peru], the dominant factor determining the size of the catch during the second half of 1995 was the powerful dynamic of the surfacings, which were associated with a predominance of subantarctic waters (cold waters). This caused a dispersion of the oceanic resources—anchovies and sardines—to waters more than 100 miles distant from the coast in the case of anchovies and more than 200 miles distant in the case of sardines. Chavez says that this circumstance has led to a smaller catch, with total tonnages that are below the figures obtained last year "at a time" he says, "when conditions were completely different." Javier Reategui, past president [preceding two words in English] of the National Fishing Association (SNP), agrees with Chavez that this "cycle of chilling" caused the anchovies to disperse, swim deeper, and distance themselves from their usual habitat, and caused the sardines to migrate northward.

As a consequence of the continuity of last year's oceanographic anomalies, the sectorial goals that the Ministry of Fisheries (Mipe) had set for itself could not be maintained during the first months of 1996. This was due to the fact that one of the basic conditions for achieving these projections is stable oceanographic conditions in the marine ecosystem—something that did not occur, at least in the first quarter of the year.

Oceanographic conditions in Peruvian waters have been slowly returning to normal since late March. In this connection, Chavez says that "conditions are expected to return to normal shortly—in May or June—with the consequent benefits for fishing." However, says SNP General Manager Richard Diaz, "you never know what nature might come up with."

The majority of the executives interviewed believe that the total catch this year will probably be between 6 million and 8 million metric tons [MT] (the Ministry of Fisheries had projected slightly more than 10 million

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MT), with a consequent decline in the GDP of the sector. In this sense, they say, it will probably be "a year of expectations rather than a bad year," with the sardine catch playing a significant role. In the opinion of the expert Alejandro Bermejo, the total catch this year will probably not exceed 7 million MT. Bermejo also believes that this level of fishing is the most suitable for sustaining the anchovy and sardine fishery and avoiding a repetition of the collapse of the Peruvian fishing industry in the 1970's. In that decade, the capacity of the processing plants and the fishing fleet was very similar to their present capacity, and the total annual catch averaged 10 million metric tons.

On the other hand, Inpesca believes that within the framework of the conditions that are forecast, a reasonable projection would be a catch of between 7 million and 8 million MT for anchovies and between 1.5 million and 3 million MT for sardines. One of the factors that supports these estimates, Chavez says, is the fact that "a greater dispersion—such as that observed during recent months—is favorable for the biomass of the principal resources, inasmuch as the indices of mortality are lower and favor the recovery of the fish population, even stimulating their growth." For its part, Apoyo Consultants forecasts a total catch of approximately 8.2 million TM, which represents a 6.5 percent decline in the GDP of the fishing sector.

Another factor that could adversely affect the total catch for this year is the development of an excess capacity in the processing plants and fishing fleet—a circumstance that makes it possible to rapidly exhaust the fishing quotas established by the Ministry of Fishing and Imarpe [Ocean Institute of Peru]. It is also likely, however, that the financial costs incurred by the fishing companies during the past two years—as part of their investment of more than $400 million to increase plant and fleet capacity—have influenced their decision to exert increased pressure on the fishing resources. "This probably explains why the closed seasons for fishing are constantly getting longer," one analyst of the fishing sector says. In this connection, Diaz believes that the overdevelopment of the sector is not adversely affecting the sustainability of the fishing resources. "If the sector had experienced another year such as 1994," he explained, "it could perhaps be said that overdevelopment exists." For his part, Chavez points out that although processing capacity has been increased, "in practice, the pressures on the fishing resources have been eased by the management of those resources," which caused closed seasons to be decreed with greater regularity between 1993 and 1995. "The system for enforcing the regulations regarding minimum size has been strengthened at the ports," he explains, "and this has led to the selective closing of certain fishing areas where there has been a high incidence of juvenile specimens. Moreover, the unloading of the cargoes of fish has been supervised with greater precision, with the result that fishing operations have been shut down when the quotas are filled."

Growth of Tourism

"The period of recession that characterized tourist activity until 1993 has been completely surmounted," declares Pablo Lopez de Romana of the National Directorate of Tourism (DNT), who adds that "the present moment is very important, because it demands that we strive to guarantee sustainable growth in the sector."

In the opinion of Jose Koechlin, past president of the National Chamber of Tourism (Canatur), the growth in the tourism sector is based on the fact that "the expectations of foreign tourists with regard to Peru had been put on hold, because for years these tourists were not coming due to the political instability." According to data from Promperu [expansion not given], in the early 1980's Peru accounted for 7 percent of the total inflow of tourists in South America and received 9 percent of the total foreign exchange receipts derived from tourism. In the same decade, however, the crisis in our country significantly reduced the inflow of tourists and also the inflow of foreign exchange, which declined by approximately 25 percent.

Lopez de Romana says that "one indication of the recovery in the sector is the fact that according to INEI [National Institute of Statistics and Information Science] estimates, tourism currently accounts for 6.6 percent of the GDP." This percentage, however, is referential, inasmuch as it takes into account only the contribution made by the hotels and restaurants (in 1995, 9.985 billion soles in today's money). For that reason, data are being coordinated to include other activities such as airlines and travel agencies. Lopez de Romana explains that tourism's share of the GDP should be between 10 and 15 percent by the year 2000. For example, in the first quarter of this year alone, international arrivals increased by 23.3 percent over the figure for the first quarter of 1995 and by 114.2 percent over the figure for the same period in 1992.

As for tourists from abroad, Koechlin says that "although there is no reliable information, the number of foreign visitors to Machu Picchu is used as a reference number, which increased by more than 30 percent in January of this year—and by 47 percent in February—compared to the corresponding months of 1995." However, Gonzalo De Cardenas, general manager of Invertur

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[expansion not given], comments that "although the domestic market does take vacations, it is conditioned by the domestic macroeconomic environment. The tourism sector," he says, "does not depend nearly as much on the domestic market as on the foreign market, inasmuch as Peruvians account for less than 0.5 percent of all receipts from tourism." According to figures from Canatur, the total number of international airline passengers throughout the world was 339.6 million in 1994 and is expected to record an additional 100 million in 1998. Moreover, the tourism sector employs approximately 212 million people worldwide in travel agencies and tourist bureaus and generates $3.4 trillion per year.

"Although tourism is an activity that is interrelated with a complex of economic sectors that produce goods and services," Lopez de Romana says, "there is no evidence that the recession in some of these sectors is having any direct effect on the dynamism of the tourism sector to the extent of adversely affecting its growth. In this economic context, tourism can be regarded as an export product." For his part, De Cardenas says that "tourism from abroad is growing, because it is subject to the international economic environment and not just to the domestic economic environment." Koechlin believes that whether or not there is a recession abroad, and "although the percentage of tourists coming to Peru is still minimal, the pent-up desire to come to Peru will probably overcome that circumstance." De Cardenas says that even if there is a devaluation, "it would make the service sector less expensive and would theoretically generate increased tourist traffic, because it would also make Peru a less expensive destination." Koechlin, however, is emphatic in pointing out that "growth is relatively inertial at the present time, and the goal of 600,000 tourists is still small." For growth to take place, he explains, "it cannot be vegetative but must be sustainable and permanent. Moreover, Peru as a product must be preserved, and we Peruvians must not be modernized into stereotypes that are alien to the reality of our national culture."

In the opinion of the experts we interviewed, the bonanza in the tourist sector could be adversely affected only if situations arise that would adversely alter Peru's current image, and if external factors appear that would substantially reduce tourist demand. "After surviving from 1985 to 1992 and demonstrating that despite the cost-cutting Peru continued to grow," De Cardenas says, "it is difficult to believe that those conditions will be repeated. The experience has toughened us."

Today there are other concerns, because the tourist services that are offered are still deficient and limited. The absence of adequate levels of competitiveness and quality in the tourism sector could be a decisive factor impeding the progress of the sector. Although during the past three years the supply of hotel accommodations has increased (according to estimates by representatives of the sector, a total of approximately $290 million has been made or pledged for hotel projects) and the existing accommodations are being reclassified with a view to adapting them to international standards, De Cardenas insists that "the supply is still insufficient." "Some people compare us with Chile," he says—"a country that has tripled its supply of hotel accommodations, which are always occupied—and we believe we are following the same course." Peru is not yet viewed as a completely stable country, however, and for that reason, De Cardenas says, "the major hotel chains are still exploring our country." "For example," Koechlin says, "if we are to improve the supply of hotel accommodations, it is essential to reclaim the historic center of the city, because some hotels in the downtown area are adversely affected by external factors, such as the disorder that is prevalent."

Moreover, this expert says, "the progress of the tourism sector is also impeded by the lack of joint action by the private and public sectors." He explains that although "the private sector makes the investment, the state has the job of improving the infrastructure and ensuring favaorable conditions for investment." This is why Canatur proposed last year to develop a master plan that would ensure sustainable growth in the sector. On the other hand, both Canatur and the Association of Hotels, Restaurants, and Related Establishments (AHORA) have proposed the creation of a Secretariat of Tourism as an autonomous entity that would determine policy for the sector and concentrate the functions that are currently dispersed among a number of subordinate entities. In Koechlin's opinion, Malaysia is a good example of this "orchestration" between the public and the private sector. Its investment policy authorizes tax exemptions, reduces taxes in pioneer areas of the economy, and defers taxes on goods imported for the tourism sector. On the other hand, "travel agencies that carry more than 500 passengers are stimulated by exempting them from the income tax on the profits they generate." Lopez de Romana, however, disagrees with the concept of granting special conditions. "The regulations," the DNT official says, "should guarantee a free market; define roles; protect the consumer and the agency owner; and promote competition, quality, sustainable tourism, and commercial development. They should also provide for adequate education designed to improve the services offered to tourists who visit Peru. It would be unfortunate to return to a policy of subsidies or exceptional measures."

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Durable Consumer Goods

The durable consumer goods sector—which is principally a commercial sector—has experienced a significant contraction hat is attributable to the cooling down of the economy. Two cases that are interesting to analyze are electric household appliances and private automobiles, whose imports CIF [cost, insurance, and freight] totaled $660 million in 1995 and accounted for 77 percent of the total imports in this sector. The total imports CIF of durable consumer goods in 1995 came to $854 million, which represented a 40 percent increase over the figure for 1994.

Some estimates indicate that the size of the market for electric household appliances—i.e., total sales expressed in terms of the final price of the merchandise—fluctuated between $500 million and $600 million during 1995. The executives of the sector who were interviewed by PERU ECONOMICO agree that during the first quarter of this year the demand for electric household appliances declined by 25 to 30 percent from the figure for the same period in 1995. This decline apparently reflected the decline in overall consumption that in turn was caused by a decline in the purchasing power of the general population.

Rene de la Fuente, executive director of Coldex Inc., says that this behavior is a direct result of the cuts in government spending, because it is a variable that affects persons who have a great propensity to consume and therefore directly impacts demand in the durable consumer goods sector. "The increase in government spending in the first quarter of 1995—because of the election campaign—caused the spectacular growth of the market during that period," says Manuel Yompian, president of Yompian Inc. For his part, Rolando Vallejo, general manager of Electrol—a wholesale firm of the Carsa Group—declares that the market for electric household appliances began to weaken in the second half of 1995, because this sector is one of the most elastic in terms of revenue, which had increased by approximately 70 percent between 1993 and 1994.

In 1994, sales of electric household appliances were influenced by two important events: the end of the CLAE [expansion not given]—a factor that had encouraged consumption—and the sharp increase in the volume of credit. "Although the former had a negative influence on demand in the sector, the latter counteracted its effect by expanding access to these consumer goods through the medium of credit sales on terms of six, 12, 18, and 24 months," says Santiago Planas, executive director of Indusel [expansion not given]. For his part, a top executive of Inresa [United Industries, Inc.] points out that the situation in the first quarter of this year confirmed the pessimistic scenario that had been forecast in the strategic plans of his enterprise. He explains that the current decline in demand is reflected in high levels of inventories and a heavy portfolio of receivables.

On the other hand, the automobile sector appears to be passing through a period of recession similar to one afflicting the electric household appliance sector. "Until June of 1995, the economic policy adopted by the government provided an incentive for the importation of automobiles," says Octavio Mavila, president of the Peruvian Automobile Dealers' Association (Araper). "The optimism of the first half of that year," he explains, "was accordingly projected into the second half without any anticipation of the future slowdown of the economy. As a result, the *stock* [preceding word in English] of automobiles increased. The dealers were forced to incur high storage costs in addition to paying for cars that had not been sold, and this in turn increased their demand for credit and ultimately their financial costs." Mavila adds that sales in the automobile sector are not developing at the anticipated rate, and that the accumulation of *stocks* caused the importation of new vehicles to be virtually nil in January and February.

According to the Automobile Association of Peru, imports of used cars increased by 151 and 156 percent in 1994 and 1995, respectively. It should be recalled, however, that in January the government suspended the importation of second-hand vehicles used for land transporation. Manuel Yompian believes that this emergency decree—together with the increased competition in the banking sector—will stimulate the purchase of new automobiles. "The impact of this restriction," he says, "has not yet been felt, because the inventory of used cars is still large. These restrictions on the supply, however, will cause the prices on these cars to rise."

"The introduction of consumer credit has resulted in raising the standard of living in the lower socioeconomic strata by providing access to financing for the purchase of durable consumer goods that these people had previously been unable to purchase," says Jose Luis Hidalgo, director of planning for Orion ECC [expansion not given].

The executives who were interviewed believe that although the banks have been financing the purchase of homes and automobiles, the financing of electric household appliances has not taken place to the same degree. Consumer credit has been granted by the retail stores themselves. "Consumer credit requires experience, because of the individual characteristics of the consumer groups to which it is granted," Yompian explains. "Each store has its own credit department, where the credit history of its own customers and related information is on

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file." For his part, De la Fuente says that last year's liberalization, by the distributors, of the terms for financing credit sales has forced the distributors to pay the consequences of the decline in consumer demand that has resulted from the cooling off of the economy. The level of debt among the distributors has accordingly increased, and this in turn has increased the volume of receivables held by the manufacturers of electric household appliances. In this connection, Planas believes that consumer banking is not the way to restimulate consumption. "People have been contracting too much debt and have had to use their year's end bonuses to pay it off," he says. "The banks are more cautious today; they now realize what they are up against. In order to reactivate consumption, confidence and economic stability will have to be restored."

The unanswered question probably relates to the prospects for medium- and long-term economic development in the durable consumer goods sector. Vallejo estimates that the reduction in the demand for electric household appliances in the first half of this year will be on the order of 20 percent. "In the second half of this year," the executive adds, "growth of between 20 and 25 percent over the figure for the same period of 1995 is expected, which annualizes to a growth of between 5 and 10 percent for the entire year of 1996. Beginning in 1997, however, a sustained annual growth of 15 percent can be expected." For his part, De la Fuente expects that beginning in May the downward trend in demand will be reversed and sales in the sector will be similar to 1995 sales. Yompian also forecasts a reversal of the trend in May and an annual growth rate of 4.5 percent.

With respect to the automotive sector, Mavila believes that more liberal terms for financing the purchase of new automobiles—a project on which Araper has been working in cooperation with the principal local banks—will also stimulate demand in the sector over the medium term. The executives who were interviewed agree that more consumers will be needed in order to energize the durable consumer goods market over the long term, and that this goal can be achieved only through higher levels of employment.

The opinions offered to our interviewers lead to the conclusion that the durable consumer goods sector appears to be nearing a period of temporary saturation as a result of increasing access to credit without increasing the real income of the population. A Grade [Andean Development Group] study indicates in this regard that the rate of growth for imports of durable consumer goods cannot be sustained indefinitely. Determining how close one is to the saturation point is the problem. "The decline in economic activity has depressed the market for durable consumer goods," De la Fuente says. "When a credit-worthy person cannot see clearly into the future, he or she will not incur debt. This is what is taking place at the present time: the lack of confidence with respect to the intermediate future is causing consumers to delay their decision to purchase durable consumer goods."

Agriculture and Foods

According to the calculations of Apoyo Consultants, the 0.9 percent decline in the GDP of the agriculture-livestock sector during the first quarter of 1996 by comparison with the corresponding quarter of 1995 reflects the upward movement in the prices of a number of products that in turn resulted from a decline in agricultural production (due to climatic conditions) and in livestock production (due to a decline in poultry production). In fact, during the first quarter of this year the prices for agricultural and livestock products increased by 5.7 percent. According to several analysts who were interviewed, this situation—together with the deceleration of the economy—has caused a reduction in demand. Armando Tealdo, researcher for the Center for Studies on Development and Participation (Cedep), says however that "agriculture suffers from the effects of the performance of the GDP and something more, because it can respond only over the long term." According to a top official of the Ministry of Agriculture, "the seasonal nature of the sector will cause the results of the first quarter to be diluted if there is a reactivation of demand."

In this connection, plantings during the current planting season (1995-1996) have been 3.9 percent greater than in the previous planting season, according to information from the Ministry of Agriculture. This is due in part to the favorable weather, for the threat of drought did not materialize. As for financing, representatives of the ministry indicate that the loans granted for the current planting season by the financial system total approximately $100 million and those granted by Cofide [Financial Development Corporation] total $380 million. In conjunction with the funds from the rural banks, these loans offer good prospects for the producers. Accordingly, if demand begins to increase again, a growth of more than 3 percent in the agricultural-livestock GDP is anticipated for this year.

According to information from the Ministry of Agriculture, hull rice and potatoes are the only crops that have experienced a reduction in the area planted, recording a decline of 18.7 and 1.2 percent, respectively, by comparison with the previous crop year. Marco Segura, however, speaking for the Rice Growers Commission, predicts a 10 percent increase in domestic rice production

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for this year. "The economic situation does not affect the growers directly," he says. "All they need is water, and they will know how to obtain the funds they need to grow their crops. This is because financing is offered by the buyers of hull rice—such as millers, truckers, and wholesalers—who "are able to store the product in anticipation of a better price." In Segura's opinion, the fluctuations in rice production are determined by the availability of water, credit, and alternative crops.

The reduction in the area planted to potatoes in the current crop year is the result of a lack of coordination between marketing and production last year. "The excess supply—which ranged from 100 to 200 metric tons per day—lowered potato prices to the point that they no longer covered the growers' costs," says Jorge Chavez, a representative of the National Potato Commission. The situation has now been corrected.

In the case of sugar, says Orlando Pajaros, general manager of the Federation of Agrarian Sugar Marketing Cooperatives, "we should achieve levels similar to those of last year." Production is accordingly expected to exceed 620,000 metric tons this year, which would represent a decline of approximately 2 percent from the figure for 1995.

The average monthly production of poultry to date in 1996 is approximately 16 million birds compared to 20 million for the same period last year. The decrease is due to the increase in the price of the producer goods used in preparing the feed. According to executives of the sector who were interviewed, this trend is expected to continue, inasmuch as the price of corn will probably continue to rise. Other executives who were interviewed said that food sales for the first quarter of this year have declined as a result of a decline in demand. A top executive of the Pacific Food Processing Consortium (CFP) commented that in the various food categories, the drop in sales was between 3 and 4 percent below the projected figure. A Gloria [Company] executive believes that this situation will continue throughout the year as a result of existing factors and expectations. "The expectations of substantial growth have been replaced by expectations of moderate growth or even of stagnation," he says. The CFP executive indicated that this situation had been anticipated. "We had forecast less growth in the food category by comparison with 1995," he explained.

Lastly, Armando Tealdo believes that the initial impact of this deceleration will occur in the category of imports. "In a borderline situation," he emphasizes, "the consumption of local foods will not be sacrificed, and the solution is therefore to reduce imports."

Beer and Soft Drinks

The beer and soft drink sectors have shown themselves to be very sensitive to the slowdown in the growth of the overall economy. Soft drink sales, however, have reacted with greater volatility than beer sales to changes in the purchasing power of the public: for example, they declined during the first two months of 1996 although beer sales increased. The performance of both sectors so far this year has also been influenced by successive price changes and by seasonal factors that have affected their supply and demand.

According to MITINCI [Ministry of Industry, Tourism, and Integration], beer production in 1995 increased by 14 percent over the figure for 1994 (production in 1994 was 3 percent below the figure for 1993). It should be noted that when in the second half of 1995 the rate of this increase began to slow, beer industry executives attributed it to the June price adjustment and to the government's restrictive policy, which together caused a decline in the demand for products of mass consumption. On the other hand, during the first two months of 1996 the beer industry recorded a 13.1 percent increase in production over the figure for the same period in 1995.

"That increase in production reflected the announcement of a price increase made by the Backus & Johnston Brewery in mid-January, which caused many wholesale distributors to accumulate *stocks* above the accustomed levels," a beer distributor in Metropolitan Lima explained. According to MITINCI, beer production in January alone recorded a 38.7 percent increase over the figure for the same month of 1995. An executive of the Backus corporation, however, pointed out that "the growth recorded in January cannot be regarded as indicative of what growth in the sector will be for the full year." He said he hoped that sales during the first quarter will prove to be very close to the figure for sales in the first quarter of last year, which totaled approximately 22.4 million cases. This is explained by the slowdown in the rate of growth of the GDP and the decline in the purchasing power of the public as well as by otehr factors such as the short and relatively cool summer.

On the other hand, it should be taken into account that the price of beer rose by 5.8 percent during the first two months of the year, whereas the overall increase in prices was 2.9 percent. This could, however, represent a restoration of the price of beer in real terms, given the fact that the 2.3 percent increase in beer prices during 1995 had been less than the IPC [expansion not given]. Moreover, the price of other alcoholic beverages that are consumed as substitutes for beer increased by 4 percent, as a result of which the decline in beer consumption was

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not expected to be dramatic. No further increases in the price of beer are anticipated for the rest of the year, in which case the relative price of beer will probably tend to drop and thereby stimulate beer consumption in the medium term.

Because the beer industry operated at 75 percent of installed capacity during 1995, it could increase its production without having to make additional investments in the event of an increase in demand. Moreover, Apoyo Consultants predicts that beer consumption will increase at an annual rate of 2.5 percent and therefore foresees a potential capacity for growth. On the other hand, an analyst in the sector points out that "the competition between the two brewery groups has induced growth in the market for beer, and especially in the provinces, where there is a greater demand for the informal beverages." This explains the efforts of the two big brewery groups to improve and expand their distribution networks and to supply beverage stands that today are poorly served. Lastly, it is predicted that the marketing [preceding word in English] strategies and advertising campaigns of the brewing companies will continue to have a positive effect on beer consumption.

Production in the carbonated soft drink sector in 1995 declined by 14.3 percent from the figure for 1994, according to MITINCI. "This decline is explained both by the poor performance of the economy and by the policy of fair pricing that was introduced during the price war that began in 1994," Graham Searles, chairman of the Soft Drink Committee of the SNI [National Industries Association], explains. Because this situation has not yet been reversed, production during the first two months of this year fell by 7.76 percent from the figure for the first two months of 1995, and Searles believes that "during the first quarter of this year, sales will be 5 percent below sales for the same period of 1995 (96 million liters)." The decline in consumption has occurred primarily in the provinces, because of the fact that its prices rose by approximately 10 percent whereas in the Lima market—which represents 60 percent of the total demand—prices have remained relatively constant. In this connection, the cause of the decline in physical sales during the first quarter of this year was probably a relative increase in the price of the product, inasmuch as the impact of the most recent increase (in November 1995) has persisted. However, Searles says, "one factor that also adversely affected sales during this first quarter was last summer, which began late and was not very hot."

Another factor that impacts sales in the soft drink sector—just as in the case of the beer sector—is the tax question, because the combined rate of the IGV and ISC [Selective Consumers Tax] that is applied to the price at the factory (39 percent of the cost of the product) is calculated as a function of the price recommended to the retailer and over which the retailer has no control whatsoever. This situation may have generated a loss of market to the soft drinks and other substitute beverages that are not subject to the ISC. According to an analyst in the sector, however, "the bottlers have coexisted with this tax since before the slump in the economy was felt, with the result that its responsibility for the current decline in consumption is only relative."

On the other hand, if we take into account the fact that per capita soft drink consumption in Peru is among the lowest in Latin America (37 liters per year), it is anticipated that as the purchasing power of the population increases, the consumption of soft drinks will rebound. In this connection, soft drink executives who were interviewed by PERU ECONOMICO predict that some measure of recovery will be observed beginning in July of this year and that growth for the entire year will be around 5 percent. For this to occur, however, the overall economy will have to grow between 3 and 4 percent, inasmuch as soft drink consumption is directly linked to the growth of the purchasing power of the population. If this increase in demand does take place, the soft drink companies need not make additional investments to satisfy it, inasmuch as they are not fully utilizing their installed capacity at the present time. According to MITINCI, the soft drink industry utilized only 74.6 percent of its installed capacity during the first two months of this year.

It is anticipated, however, that competition in the soft drink sector will involve marketing [preceding word in English] campaigns and improvement of the distribution capability of the individual companies, which would have the effect of expanding the market for soft drinks. An industry analyst also points out that "the entry of foreign capital—such as the investment by the British firm Inchcape in the Latin American Bottling Works [Embotelladora Latinoamericana]—would increase competition in the sector." Moreover, rumors persist that a strategic partner will join CEPSA [expansion not given] and that J.R. Lindley plans to increase its installed capacity by constructing a plant in Lurin that would begin operations in 1998.

This industry analyst concludes by observing that "the poor results posted by the soft drink companies in 1995 (except for Lindley) have engendered some fears regarding their ability to respond to future increases in demand." That is why, according to another analyst who was interviewed, "some of the principal soft drink bottlers are restructuring themselves financially with the intention of improving their channels of distribution and optimizing their levels of liquidity and debt in order to

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have a greater margin for action in response to increases in demand."

[Box, pp 2-8, 15-18]

Seven Opinions in Response to the Question: "What Does the Peruvian Economy Require for its Continued Growth?"

1. Jorge Gonzalez Izquierdo, dean of the School of Economics of the University of the Pacific (his comments were made before his appointment as minister of Labor):

Two types of factors influence the growth of the economy. First of all, there are the structural factors that the economy possesses: human and physical capital, and the investment in scientific knowledge and technology. These are the factors that determine the rate of growth over the long term. In Peru, growth should be between 6 and 7 percent when the structural reforms are completed. There is a second type of factor, however, that influences growth temporarily: the factors that are linked to domestic spending, and in particular the factors of monetary and fiscal policy. The restrictions on spending this year will limit growth to between 3 and 4 percent. When spending encounters its long-term level, the structural factors will bring the average annual growth rate to 6 to 7 percent. Growth in 1996 will be determined by the monetary and fiscal policies that are adopted. I recommend a restrictive fiscal policy that will generate increased governmental savings of between 3 and 4 percent of the GDP and a primary fiscal surplus of 1 percent of the GDP. This fiscal policy should be combined with a moderately expansive monetary policy that will enable sectors such as those of industry, agriculture, and tourism to have the oxygen necessary for their revival.

The structural reforms should in the meantime continue to be strengthened, especially in three areas. The first area is governmental reform now that public spending is becoming more efficient, so that government spending can be reduced, the government redimensioned, and an effective decentralization carried out in our country. The second priority area is education, which is a vital sector because of its impact on long-term growth through the accumulation of human capital. The third area is labor relations, which is basic for reducing the existing unemployment and underemployment. If the government continues these policies, I believe that domestic spending can be normalized this year and grow in accordance with the trends in the economy.

The sectors that formerly dominated the GDP—construction, trade, services, and exports—used to grow because of domestic spending. When the rate of growth in domestic spending declined or even became negative, these sectors logically slowed down. I believe the Peruvian economy will begin to recover in June or July and acquire a more or less steady rhythm, as a result of the short-term policy. The principal effect of that policy will be to put the nation's fiscal and monetary accounts in order, and this will be decisive in determining the rate of growth for this year. We must simultaneously continue working on the structural factors so that their effect can begin to be felt more strongly than has been the case to date.

2. Arturo Woodman, past president of Confiep [National Confederation of Private Business]:

Peru's business enterprises need to be more competitive, so that exports can be substantially increased while at the same time the industries that supply the domestic market can compete with imports.

In order for competitiveness to be increased, taxes and labor costs will have to be reduced and the exchange rate improved. Improvements must also be made in the infrastructure. This analysis is the product of a study made by the Peruvian Institute of Economics (IPE) titled "Competitiveness and Promotion of Exports" This study envisions a 30 percent increase in the competitiveness of Peruvian exports over the next five years, which would enable us to increase the level of our exports and achieve sustained growth at rates of 7 or 8 percent or better beginning in 1997. The IPE study is the basis for our ideas and has been transmitted to the government. It also analyzes the potential fiscal cost of the proposed measures, and describes two possible scenarios. One optimistic scenario—which could also be called "competitive"—would enable us to achieve a growth rate of 7.5 to 8 percent in 1997 and approach 10 percent in 1998. The other scenario describes a situation such as the present one, wherein the economy is marking time in the expectation that the basic investments made in the mining sector will have an impact on economic growth but not motivate any substantial growth from 1996 onward.

3. Roberto Abusada, adviser to the Ministry of Economy and Finance:

The maintenance of a sound macroeconomic policy will translate into growth in the various sectors of the economy. It is preferable to grow at an average rate of 8 percent and then descend to levels of 1 to 2 percent while keeping watch over the current account deficit, in order to avoid extreme situations such as those that have occurred in Mexico. It is of vital importance to exercise control over the current account, which entails stimulation of domestic saving as the basis of future investments that will promote long-term growth. However, the important goal of reducing the

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current account deficit not only entails stimulation of domestic saving but also higher indices of confidence among Peruvian and foreign investors. On the other hand, it is important to maintain continued growth based on heightened productivity and also to create a favorable environment for investment to continue. In this regard, the state should also provide stimuli that will enable companies to generate profits. These stimuli are of two types: for exporters, measures to ensure that the *drawback* [preceding word in English] functions effectively and rapidly, and for importers, effective control of the traffic in contraband.

In those sectors of the economy that are not subject to hedging, no threat of recession has arisen. The fishing, mining, and construction sectors, however, will continue to play the leading roles in economic growth. Inasmuch as these sectors are primary processors, the prospects for industry as a whole are quite positive. The cement and ready-made garment sectors are showing signs of revival, although some individual enterprises will continue to lag behind because of their low productivity.

4. Javier Silva Ruete, former minister of Economy and Finance:

The process of growth that began in 1992 and has recorded high growth rates during the past three years is the result of the stabilization program that was initiated in August 1990. However, instead of the continued positive growth rate that had been expected, a debate has arisen concerning this year's growth and whether adjustments in the economic program are needed. In this regard, the first official estimate by the government was a 5 percent growth rate. We were subsequently given a second estimate of 4 percent, and after that were told that there would be no growth in the first half of the year but that the growth in the second half of the year would enable us to achieve an annual growth rate of 4 percent. What the authorities have not explained is how—if we have a negative first half of the year or even 1 percent growth—we are going to obtain an annualized growth of 4 percent. In order for this to take place, we would have to achieve a growth of at least 9 percent in the second half, and no one has explained how such a phenomenal achievement will be possible. Moreover, some confusion exists with respect to the measures that will be applied in order to obtain this growth, inasmuch as some factors are linked to the stabilization program, to the negotiations with the IMF, and to the program of structural reforms that have not yet been defined. I must say, however, that I agree with the market-economy model that was instituted in 1990. The debate is over the possible ways to achieve sustained growth. In the first place, a mechanism is needed that will enable the state to know what economic policy guidelines should be followed for the medium and long term and to inform the private sector of those guidelines so that it can make its investment decisions. We should move toward a system in which the growth rate for exports will be accelerated to rates higher than those for imports. To do so, it will be necessary to adopt a number of measures that will reduce the extra cost of making our products competitive in a free-market economy. Monetary and exchange policy should be oriented toward this objective, so that they will be compatible with the need for increased exports. In this regard, it is important to adopt a process of remonetization that would be accompanied by stability, and subsequently bring the exchange rate gradually to a level that will make it possible to eliminate the subsidy that is implicit today.

It is necessary to speed up the structural changes that the government itself has proposed. There has been progress in downsizing the government but not in reorganizing it, strictly speaking. The basic changes have not yet been made with respect to taxation or the budget—changes that would help to increase the levels of domestic saving, which will need to be increased progressively to 28 percent, although not all of the existing instruments for increasing domestic spending have yet been employed.

In summation, the most important factors are the formulation of policies; structural reforms; increased domestic spending; the promotion of exports by means of precise measures; and the management of financial, exchange, and monetary policy with a view to achieving these objectives. The experience of other nations that formerly had the same levels of development and today are industrialized countries can be useful in helping us to achieve steady growth and development that has a high added-value component.

5. Luis Abugattas, director of the Institute for Economic Studies of the National Industries Association:

Peru needs to grow at annual rates of 7 to 8 percent in order to be able to solve the employment problem and maintain a sustained rhythm of growth. To accomplish this objective, it is necessary to increase investment and increase the levels of domestic saving, which should come basically from households and business enterprises. No nation can maintain its growth over the medium and long term by relying on foreign saving, which should serve only to complement domestic saving. The problem today is the fact that the income levels of the population have reduced the propensity to save to a minimum. We note that the entire potential for saving among households is committed to the Private Pension

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System, which has 1.1 million members and as a result appears to have reached its limit of growth.

The savings of private enterprise are currently expropriated by the Treasury by means of the tax system. The government's decision to increase domestic spending by increasing the primary surplus of the state does not contribute to the nation's growth over the medium and long term, inasmuch as the funds generated by these means are used for payment on the foreign debt rather than for productive investment. The foregoing leads to the conclusion that what is needed is basically saving by private industry, which comes principally out of profits: in other words, productive activity must be made profitable in our country. Increased saving by households will be possible only to the extent that incomes increase.

On the other hand, it has been suggested that we will grow by means of exports. This is unlikely at the present time, however, inasmuch as our exportable potential is limited. The fishing sector is working at maximum capacity, and no new *boom* [preceding word in English] in that sector can be expected because of restrictions on the biomass. As for the mining sector, there are new deposits and new projects, but it will take a long time to bring them to fruition, and there is a great dependence on world prices. It is also very difficult to identify openings for future exports. This can be seen in the bilateral negotiations, in which we have nothing to ask for. I believe that in order to increase exports there should be a very substantial investment in those industrial and agricultural sectors that are oriented toward exports.

6. Armando Caceres, adviser to Indecopi [National Institute for the Protection of Free Competition and Intellectual Property]

The Peruvian economy presents two alternatives for growth. The first alternative is to grow on the basis of greater domestic saving; the second is to grow on the basis of improved productivity of the economy.

The recent rates of growth refer to the first method, and this is where there has been greater progress. The private foreign capital invested in extractive sectors of the economy, and the inflow of capital in the form of proceeds from privatizations, explain the growth in the category of domestic saving financed by external sources. This method could be sustained to a much greater extent than some economic analysts have forecast, and possibly not encounter any major restrictions with respect to the current account deficit. The key here is to ensure a steady flow of foreign funds to finance the domestic investment effort and the growth of the economy. From a microeconomic point of view, however, the second method proves to be more important, inasmuch as the improvements in productivity impart greater efficiency to the use of the available productive resources. The state and the private sector share responsibilities in this task, and this entails proceeding with the reform of the governmental institutions and with the process of privatization. The attitude of the business community must also be changed, to enable that sector to cease thinking in terms of how to negotiate a possible reduction in tax surcharges and instead concentrate on increasing the productivity of the production units. This kind of revolution would encourage the more efficient use of the inflow of foreign capital and would constitute a qualitative change in the Peruvian economic process. Moreover, it is the only guarantee that this growth can be maintained over the medium and long term.

Unfortunately, the advances made in this latter area have been of little significance. So long as the state does not succeed in improving the efficiency of basic public services and facilities such as ports and telecommunications, the process will be a slow one. The state has not succeeded in introducing a service-oriented mentality in the public administration in favor of the consumer and the producer. For its part, private big business only recently has begun to understand the situation. The increased competition that is being generated in the banking market based on the participation of foreign capital is a good example of this. In this market, competition is beginning to appear in the area of services to the consumer—a concept that until recently was not a major consideration for the private banks. The minimal progress made in this area also serves to explain the crisis in certain sectors linked to the domestic market such as textiles, ready-made clothing, and many of the manufacturing sectors, which had heretofore not accepted the challenge to increase their productivity. Over the short and medium term, growth will have to be maintained in the extractive sectors—principally mining, petroleum, and fishing—while the growth of consumer credit could finance a measure of recovery in the area of products of mass consumption. If improvements in productivity are not seen, however, this growth will be conditional on the possibility of excluding the more efficient competitors—a factor that will increasingly escape the control of the domestic industrialists.

7. Jurgen Schuldt, vice rector of the University of the Pacific:

In the economic sphere, the answer is not to "restart" the neo-free market economic program. That program only promotes the export activities of the primary industries, and does so because of the high profit differential they yield, which in turn generates a reduced level of direct and indirect employment; exploits the value of our nat-

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ural resources; and damages the environment (mining, fishing, oil and gas, tourism, etc.). This emphasis on the foreign market (which is certainly important, although it is useful today merely for importing luxury goods or the machinery to make them) should be applied equally to expanding the domestic market and to developing the productive forces that exploit our natural resources and our human installed capacity.

What is therefore needed is first, a change in the way capital is being employed today, so that it will be oriented toward the development of relatively advantageous activities that are dynamic and that make intensive use of information, technology, and science; and second, better regional and sectorial interconnections—in the areas of consumption and taxation—that form links both to the future and to the past. Monetary and fiscal discipline are useful only if you have in place a long-term program oriented toward those aspects that genuinely expand the domestic market.

At present, emphasis is placed solely on exports, which is the sector that is least effective in developing the nation's productive forces and potential capacities. Moreover, businessmen today are thinking only about surcharges, when what is needed is to develop a powerful system of science and technology in order to increase productivity and develop a skilled labor force. It is naive to believe that our massive underemployment can be reduced significantly by adhering to the economic model that is based on traditional exports.

In the social area, it is essential to encourage the type of investment that tends to distribute income, assets, and credit among the population, sectors, and regions, with emphasis on the medium-sized cities. The success of this program is to be measured by the jobs it creates, regardless of their nature. The objective is to create jobs that add value to our natural resources; permit a more equitable distribution of income in our country; utilize human installed capacity; and revalue "what is distinctive" in our cultures and regions. Moreover, it is obvious that agricultural development is essential, not only in the coastal and forest regions—which are currently favored for the growing of traditional and nontraditional crops—but especially in the mountain region, which has been excluded from this process.

In the political area, the existing "delegatory government"—whereby those who govern believe their high vote total gives them a "blank check" to do as they please—should be replaced by an institutionalized representative democracy in which broad-based cooperation should be the basis for making decisions in our country.

Peru: Agreements With IMF Analyzed

96SM0289B Lima PERU ECONOMICO in Spanish Apr 96 p 14

[Unattributed article: "Negotiating the Goals: The IMF Mission"]

[FBIS Translated Text] On 18 April a new round of negotiations was initiated between the MEF-BCR [Ministry of Economy and Finance-Peruvian Central Bank] team and the IMF mission for the purpose of establishing the main outlines of the draft letter of intent that the Peruvian Government will transmit to the IMF with a view to signing a new program of expanded facilities for the period 1996-98.

The announcement made by Economy and Finance Minister Jorge Camet at his office in the Ministry clearly indicated the government's intention to continue the policy of fiscal and monetary adjustment—although to a lesser degree—that has characterized the management of the national economy in recent years. Nevertheless, although it is certain that both the IMF and the Peruvian team agree that the generation of greater domestic saving—primarily saving by government departments—currently has priority status, there is apparently no agreement as to *how* to accomplish this goal.

In the opinion of the IMF, the emphasis on fiscal adjustment should probably be placed more on increasing tax revenue than on controlling spending. The MEF technical experts have argued against raising the IGV [general sales tax]—as the IMF had apparently recommended—and have instead proposed that the administration of taxes be improved so as to increase tax collections to the level of 14 percent of the GDP in 1996. In this connection, the total income tax collected in March of this year—1.448 billion soles—was far above the amount collected in the same month of 1995. During March of this year, total tax collections accordingly came to 4.478 billion soles, not including an additional 739 million soles collected in the form of adjusted income taxes and penalties.

In addition, the economic team has been concentrating since the last quarter of 1995 on controlling government spending and will presumably continue to implement this policy during 1996. This adjustment has been apparent in the smaller purchases of foreign currency by the BCR at the Negotiating Table, which totaled $260 million for the first quarter of this year.

Another of the measures reportedly proposed in the negotiations with the IMF provides for increasing fuel prices. Such a decision would involve raising fuel prices for the stations in Callao, La Pampilla, Talara, and Conchan. The price changes would represent an average

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increase of 5.1 percent in the prices that have been in effect since June 1995—an increase that according to estimates by the Ministry of Energy and Mines would enable the Treasury to collect approximately $58 million from the highway tax, ISC [Selective Consumers Tax], and IGV.

In any event, the government has agreed with the IMF on a primary surplus—without taking into account the proceeds from privatization—of approximately 1 percent of the GDP for 1996: a figure below the level originally proposed by the IMF (between 2 and 2.5 percent of the GDP).

The other subject that continues to be a source of concern both for the IMF—and Camet was so informed in a letter sent to him in mid-March—and for those who manage Peru's economic policy is the possibility of a "resurgence" of inflation, although both the government and the business community believe it would be only temporary. Inflation in March was above 1 percent for the third consecutive month, and the cumulative inflation so far this year comes to 4.21 percent, according to the figures of the National Institute of Statistics and Information Science (INEI). For its part, the Index of Support Prices (IPA) in March recorded a 1.42 percent increase in prices. Whereas the principal factors that explained the high levels of inflation in January and February were the rise in the prices of certain staple food products, in March the largest increase in the price index was recorded in school fees for registration and room and board (8.21 percent) and in telecommunications rates (10.56 percent). Another indicator that is cause for concern is the rate of growth of the GDP. The slowdown in the economy that was the subject of conversation in 1995 has been transformed into a significant decline in production im the principal sectors of economic activity. After a 4.1 percent decline in January, the overall GDP increased by 1.3 percent in February, which adds up to a cumulative decline of 1.4 percent for the first two months of the year [figures as published]. The sectors most adversely affected have been fishing, petroleum, agriculture, and construction.

Lastly, one of the aspects that will reportedly be included in the letter of intent addressed to the IMF is the medium-term goals, mainly those relating to the structural reforms. Among these reforms, the ones that are reportedly of the greatest interest to the IMF are those that provide for government reorganization in order to reduce spending; restoration of the regulations for the private insurance system as they pertain to health care; and resumption of the privatization process, mainly by the sale of Petroperu [State Petroleum Agency]; the remaining units of Electroperu [Peruvian State Electric Power Enterprise]; and the Public Participation System.

Venezuela

Venezuela: Minister on Colombian Official's Statements

PA2905181496 Caracas Venezolana de Television Network in Spanish 1530 GMT 29 May 96

[Report by Zulay Rosas]

[FBIS Translated Text] Defense Minister Moises Orozco Graterol has confirmed the use of two Venezuelan airplanes by the Colombian Air Force. In that manner, Orozco Graterol refuted a statement from his Colombian counterpart who said no Venezuelan aircraft are being used in that neighboring country.

The reports on the use of Venezuelan planes by the Colombian Air Force originated from an investigation conducted by the insurance company handling the insurance policy for those aircraft. One of them was hijacked in 1989 and the other in 1990, and taken with passengers and crew members to Colombian territory.

[Begin Orozco recording] Those aircraft are currently flying with identification numbers 10-21 and 10-20, FAC, Colombian Air Force, Satena [National Territorial Air Service] enterprise. One of them is in Santa Fe de Bogota, and the other one in Medellin. I am not a liar; when I say something it is because I can prove it. [end recording]

Apparently, the Colombian Government is willing to find a solution for the problem of the hijacked planes.

[Begin Acting Foreign Minister Milos Alcalay recording] We will insist on this subject which Venezuela has repeatedly presented. We hope that this initial solution will lead to a final solution and the return of aircraft and vehicles. [end recording]

According to the defense minister, he does not understand why an executive decree signed by President Samper in September last year ordering the return of vehicles and aircraft stolen in Venezuela has not been complied with.

Regarding the Colombian guerrillas' proposal of holding talks with Venezuelan authorities, Minister Orozco said he will not negotiate with bandits or persons who arrive in our country to commit crimes.

Venezuela: Official on Colombian Plans To Return Planes

PA3005031796 Caracas EL NACIONAL in Spanish 29 May 96 p D4

[FBIS Translated Text] Acting Foreign Relations Minister Milos Alcalay has said that the Colombian Government announced that it will give a definitive answer to

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the issue over the return of the two Aerotuy Company planes that are in Colombia.

Alcalay, who sees this announcement as pleasing and encouraging, explained that, two weeks ago, Venezuela asked Colombia to resolve this issue and it now expects the official notification from the neighboring country to determine the specific terms and legal mechanisms for the return of the planes and to whom they must be returned. Our country has already identified and claimed the two planes.

The acting minister pointed out that "everything that signifies a normalization and that resolves an issue that concerns public opinion is positive."

Venezuela: Government, FAN on Lack of Political Support

PA2805195996 Caracas EL NACIONAL in Spanish 25 May 96 p 9D

[FBIS Translated Text] The lack of political support for actions that should be taken along the border against Colombian narcoguerrilla forces was emphasized in a study by the executive branch and the National Armed Forces [FAN] during a meeting in Fuerte Tiuna last Thursday regarding a new military policy against the irregular forces of the neighboring country.

Government sources said that the participants in the meeting concluded that as long as there is no definite policy on this struggle, military success along the border will be difficult.

To try to emerge from this "political stupor," the governors and mayors of the border towns, political parties, business organizations, beginning with Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry], will be convened to encourage the presence of the nations in the border region.

Interior Minister Jose Guillermo Andueza believes everyone should contribute to the fight against the Colombian narcoguerrilla forces in the Venezuelan border.

During the meeting in Fuerte Tiuna, Andueza repeated his theory regarding the peaceful penetration of guerrilla forces from Colombia, and his concern that drug trafficking is steadily advancing in the area.

Officials plans to confront this situation are 1) to coordinate security forces in intelligence matters, and 2) to coordinate the activities of mayors and governors. Both are considered crucial elements to achieve swift action in the border region.

Venezuela: Finance Minister on Caldera's Economic Policy

PA2805212096 Caracas EL UNIVERSAL in Spanish 26 May 96 p 2-1

[Interview with Finance Minister Luis Matos Azocar by an unidentified reporter in Caracas; date not given]

[FBIS Translated Text] Caracas — [Reporter] Many of the measures that are to be executed in the second phase of the adjustment depend on the political ground on which the executive stands.

Do you believe that President Caldera's administration has consolidated itself enough to reverse the spending pyramid in the education sector, reorganize the health sector, and transform the benefits system, for example?

[Matos] In this regard I would say that other countries are surprised that an administration that has a minority in Congress has been able to introduce a series of fiscal reforms and decisions, which are usually among the most politically contentious in any society. Regarding future issues, such as reversing the spending pyramid in the educational sector and other closely related issues, we need not necessarily present them as radically confrontational factors. There will always be — as there are in every society — political parties that have a single slogan: Let the government collapse! Those parties, however, have been fully identified, although there are other organizations that are aware that the current stability and viability of the democratic system is guaranteed. Those parties are quite interested in having this government pave the way for them on proposals such as the debt profile and fiscal and budget reforms, which would make things easier for a future administration.

To this end I believe that Democratic Action, Movement Toward Socialism, and National Convergence have proven that their vision goes beyond a simple immediate electoral struggle. That is ground enough for reforms to be made.

[Reporter] Copei [Social Christian Party] insists that a consistent economic policy does not exist. Gustavo Tarre Briceno insists that after the measures there is nothing.

[Matos] The previous song I remember was that there was no economic program. They are surprised because not only was the Venezuela Agenda presented, but the very director of the IMF and the presidents of the World Bank and Inter-American Development Bank held a news conference to say, even before the formal event, that they support the economic policies contained in the Venezuela Agenda. I believe that all of the measures we

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are implementing to prepare the productive apparatus and reindustrialize are adequate. This is not even the old plan, that is still implemented by certain countries, in which the recovery of exports is accomplished by devaluating the currency.

In this case we are considering a program that is supported by the CAF [Andean Development Corporation] and Harvard University; it is a program with which companies can learn to deal with the complexity that is the trend on the international markets and learn to master technologies in order to achieve downstream development in the manufacturing of products, instead of simply exporting raw materials. This is a fundamental change because where the Perez administration's economic program failed was in its neglect of a strategy to make companies competitive.

[Reporter] Matos believes that the downstream development strategy should be applied at the Guyana industrial complex, so that its companies can be competitive. Compared to other countries, Venezuela possesses immense advantages that can be developed, and with a general industrial policy it would achieve the development of private production, which is quite depressed.

He also believes that this process cannot come solely from the government; companies must also change their way of seeing and doing business if this initiative is to succeed. The state alone cannot undertake this strategy.

Venezuela: Finance Minister Matos Azocar Interviewed

PA2905014896 Caracas EL UNIVERSAL in Spanish 26 May 96 p 2-1

[Report on interview with Venezuelan Finance Minister Luis Raul Matos Azocar by Alfredo Carquez S.; date and place not given]

[FBIS Translated Text] Caracas — Finance Minister Luis Raul Matos Azocar has briefly abandoned the low profile he adopted since his Cordiplan [Office or Coordination and Planning] colleague, Teodoro Petkoff, joined President Rafael Caldera's government.

When questioned on the negotiations the government is holding with former officials of four financial groups — Bancor, Confinanzas Metropolitano, Principal, and Fiveca — to make them surrender, thus making this process less burdensome for the state, Matos' reply was brief: "I do not know the details of how these mechanisms work. The most important thing, however, is that those who have committed crimes of the magnitude of the ones they have committed should feel the full weight of the law."

He pointed to the significance of keeping a social, economic, and political balance during times of crisis and rejected the idea that the Venezuela Agenda has neoliberal connotations, describing it as "conventional [as published], pragmatic, and modernizing."

He clearly explained that he has the Presidency's support and said that many parties are interested in moving forward with the process, because it would facilitate their future administrations if they someday gain power.

Matos added that the government is approaching social problems with a great deal of interest, that there is a plan being implemented without setting aside the need for reforms.

"In the last meeting of Latin American finance ministers, in which Canadian and U.S. representatives also participated, an issue that used to be absent from these meetings emerged. It is the linking of economic matters to political and social ones. This concept was always part of the Venezuela Agenda; I believe that we are going in the right direction. What President Caldera and I previously described as sluggishness is now being recognized as part of a maturing process.

The second significant aspect, from a macroeconomic standpoint, is the exchange rate, which everybody had estimated would exceed 500 bolivares. It not only was set way below what, at a specific moment, was called the Brady reference, but this occurred without the Central Bank of Venezuela's intervention and without establishing a band system. Starting in June and July, price stabilization will start being noticed. A third achievement will be the reduction of the fiscal deficit to 2 percent of the GDP.

[Carquez] It has been said that this adjustment was tougher than the one made in 1989. Is this not a classic neoliberal program?

[Matos] We believed that having doubled family subsidies in such a short period of time, having implemented wage policies for the public sector, fully aware that this has effects on the private economy, and having implemented popular medicine supply programs would convince people that this government is giving a high priority, within its economic approach, to social issues. Whether the model is neoliberal or not, I would say that it is an unconventional, pragmatic, and modernizing approach. The challenge of going beyond a mere macroeconomic stabilization program comes next. Structural changes must be introduced to guarantee that the production sector will be able to assimilate the large investments that will come.

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Unconventional Approach

[Carquez] The deficit and inflation reductions are based on a drop in consumption and spending. When would the economy start recovering?

[Matos] The conventional approaches of stabilization and adjustment programs consist of a significant reduction in public spending and the private economy's purchasing power, followed by the implementation of an economic program based on more future investments. We have sought a balance that was accepted in our negotiations with the IMF. We will change the quality of public spending, because, thanks to all these transfer processes, supply, in the next few years, will be mainly based on lower-income people's purchasing power, and it will be directly based on improvements in labor and the middle class, especially if we change the social benefits system. The argument in favor of our viewpoint was not to allow a large drop in demand, which would mean an 8-percent drop in the GDP. Meanwhile, the scenario we are now foreseeing, including the petroleum sector, represents a 1-percent drop in the GDP. All this will allow a swift recovery, which is our goal for 1997. Growth will be above 4 percent.

[Carquez] Following the 1989 adjustment, there was growth, but people felt the results. What is the difference now?

[Matos] That is correct. The next decade's debate has to do with income distribution. We have to start working on the reduction of labor liabilities in public administration and the democratization of capital. We have to work on social security reform by separating the manner in which services are offered from the guarantee of financing for pension holders and retirees. However, there is an issue with regard to which there are tangible achievements: the reduction in fiscal evasion. The fact that there are segments of society that earn the most and pay the least amount of income taxes constitutes the clearest expression of a bad distribution of income in Venezuela. Congress, along with the government, has instituted a kind of leeway for people to voluntarily pay their fiscal arrears. What I want to guarantee is that fiscal evasion will absolutely not be allowed once this period ends. I once pointed out that I had the possibility of listing certain major tax evaders. Many of them were identified and legally prosecuted and are paying their debts.

[Carquez] Why has this list not been made public?

[Matos] Because, in this case, we did not want to persecute them; we wanted to fulfill the objective of making people honor their commitments with the public treasury.

[Carquez] What does the government exactly mean when it brings up the issue of capital democratization?

[Matos] I promoted the thesis that a company's workers must participate in the privatization process. I believe that I had a narrow vision here. We are thinking about the broadening of the system by reforming the Privatization Law, so that, in certain cases, actions could be implemented in other sectors.

[Carquez] What companies are you thinking about?

[Matos] First, we have to reform the law; once this is done, it could be any company. For instance, the capitalization of the petroleum sector's opening is about to happen. This means an opportunity for Venezuelan savers.

Banks' Efficiency

[Carquez] If the government had estimated that the Financial System Reorganization Fund needed approximately $1.5 billion, why was this estimate then reduced?

[Matos] The amount of $1.5 billion was a simple estimate. However, the assessments of the technical delegations that have come to the country have discovered a very significant fact: thanks to the changes in the exchange rate, most banks reported significant profits. The Bank Superintendency forced them to use part of these profits to capitalize themselves and to increase their reserve funds. This is why this amount of money is not needed.

[Carquez] Has the national banks' situation improved?

[Matos] Well, efficiency is one thing, and solvency is another. I believe that most of the efficiency will come when the Venezuelan and Consolidado banks are privatized, when private investors who can show their ability to reduce the spread [previous word published in English] and reduce the need to adjust spending policies to become more efficient participants.

[Carquez] How do you plan to implement what you have called a change in the debt profile?

[Matos] This plan concerns not only the executive branch, but also the National Congress. This will not be done overnight; it must continue as the country's conditions change. For instance, as we implement this macroeconomic stabilization program, the differential in the amount of interest the country must pay changes. When a country has a low rating, this differential is very high if we take into account the LIBOR [London Interbank Offered Raae] or the U.S. Treasury bonds rate. However, new offers have started to emerge; these offers must be evaluated to choose the one that is the least costly for the country.

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[Carquez] What companies have made offers?

[Matos] Merrill Lynch, Banco de Santander, Chase Manhattan Bank. Venezuela now has more options from which to choose. We must now remain alert not only to the rates but also to the maturity date, because any short-term debt will worsen the situation in 1997, 1998, and 1999. The conditions we will demand include loans with a maturity date of no less than seven years in order to change the profile. A number of options have started emerging; we will forward some of them to the Finance Commission on 28 May. The famous dollarization of the foreign debt is one of these options, which implies the change of very high-interest securities for much lower-interest securities issued in dollars. For example, U.S. interest rates average 9 to 10 percent, while the Venezuelan rate averages between 45 and 50 percent.

[Carquez] What about the effect on the exchange market?

[Matos] We would be playing with the exchange rate, and we have to evaluate this.

Low Profile?

The finance minister agreed to be interviewed by EL UNIVERSAL after having survived the storm that followed the announcement by President Caldera on 16 April of macroeconomic adjustments. Unlike Petkoff who prefers to use baseball jargon, this computer fan uses the language soccer lovers use.

He said he prefers to plan the game. The attackers are others; in this case, he is referring to the Cordiplan and development ministers.

However, he finally decided to end the silence that has characterized him in the last few days in assessing Venezuela's political and economic reality, slightly more than a month after controls were lifted and the price of gasoline increased.

[Carquez] Why did your low profile last this long?

[Matos] Well... I truly believe that a finance minister's task is to play the game, to run the economic cabinet. Fortunately the team now has two new and very good players: Petkoff and Freddy Rojas Parra. This allows me to devote myself to the task of seeking financial resources and analyzing the nation's financial situation, while they work, as is their duty, on increasing their presence before the media and opinion forums to explain both the stabilization program and the program for the recovery of the production sector. "It is not a low-profile strategy but a return to a different behavioral model. One can no longer sound the bells and say mass while planning the game."

[Carquez] In the political world, it was said that, once the adjustment measures were announced, you would be one of the first officials to leave the cabinet. Are you staying in the government?

[Matos] I believe that one of the most erroneous interpretations that have been made is to think that someone can be a minister, promote a process of change as profound as this stabilization program and the Venezuela Agenda, and take the initiative to hold talks, as was done in October, with the IMF, without the president's approval. Where did they come up with the story that President Caldera opposed our implementation of the Venezuela Agenda? This is part of a Venezuelan myth. If I took the step to talk with the IMF, it was because I was convinced of the need to make changes. The implementation of the Venezuela Agenda was done because I had the president's support. I will be cooperating with the government as long as I have its trust and as long as I remain involved in political activities. We must understand that we are dealing with temporary positions; no one is permanent in these posts. In any case, there is a sense of responsibility to make sure all pieces fit together in the puzzle.

The relaunching of the overall public finances program is compatible with the Venezuela Agenda. Matos is making all sorts of efforts to have enough political support from Congress to activate the implementation of social programs and the strengthening of the financial system. The laws are already in Congress awaiting an evaluation. He denied that Venezuela will resort to voluntary international markets to obtain credits. [sentence as published] The idea is to have the support of multilateral financial organizations.

Suriname

Suriname: New Front Parties To Start Coalition Talks

BR2905150796 Rotterdam NRC HANDELSBLAD in Dutch 28 May 96 p 3

[Report by Hans Buddingh: "Mission After Elections: New Front in Suriname Seeks Coalition"]

[FBIS Translated Text] Paramaribo, 28 May — The parties of the ruling New Front in Suriname agree that the election results make a coalition with other parties necessary. This emerged at a news conference of the Creole NPS [Suriname National Party], the Hindustani VHP [Progressive Reform Party], the Javanese KTPI [Party of National Unity and Solidarity], and the social-democratic SPA [Suriname Labor Party].

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The four party leaders said at this joint meeting that they were not disappointed by the parliamentary elections, in which the New Front lost its absolute majority. VHP President Jaggernath Lachmon was even of the opinion that the New Front had gained a victory, because according to him no single government had succeeded after carrying out a stringent structural adaptation program in remaining in power. According to President (and NPS Chairman) Ronald Venetiaan the election results could be seen as instructions from the voters to continue to govern, albeit that partners must be sought. He did not conceal that the New Front had come out of the fight "battered."

Venetiaan excluded cooperation with the NDP [National Democratic Party] of Desi Bouterse and the so-called Alliance. This means that DA91 [Democratic Alternative '91] and the Javanese Pendawa Lima remain as the only two potential partners. The Surinamese president called on the NDP to recognize the election results. Last week in a letter to the independent election office the NDP asked that the election be declared invalid because of alleged irregularities. The office will examine the complaints.

The OAS concluded yesterday in an official declaration that the elections last week on Thursday [23 May] took place fairly. According to the OAS the result accorded with the statistical prognoses which the OAS had made on the basis of a number of its own counts.

The four New Front parties will this week have further internal consultations about the consequences of the election results. It is expected that Parliament can be installed in a few weeks, after which this body will elect the president. If the required two-thirds majority is not reached after two occasions, then the election is left to the so-called National People's Assembly, in which more than 700 regional representatives have seats in addition to MPs. According to the New Front parties, they can count on an absolute majority in the National People's Assembly, in the so- called provincial councils and district councils.

According to the results announced yesterday [27 May], based on the count of nearly all the votes, the New Front got 24 of 51 parliamentary seats. In the previous elections in 1991 the New Front got 30 seats. The NDP got 16 seats (12 in 1991), followed by DA91 with four seats (nine in 1991). Pendawa Lima, which submitted one single list in 1991, got four seats. The Alliance got three seats.

The New Front government parties got 41.75 percent of the vote, the NDP 26.21 percent, DA91 13.08 percent, Pendawa Lima 9.25 percent, and the Alliance 8.36 percent. The ABOP [General Liberation and Development Party] maroon and Indian party remained at 1.35 percent and did not win any seats.

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